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Programming arrangements

Report on programming arrangements for the period 2004-2007*

Summary

In its decision 2002/10, the Executive Board endorsed the proposal to move from a three-year programme financial framework to a four-year programme framework for the period commencing in 2004. In that same decision, the Board also requested that the Administrator submit additional information at its second regular session 2002 to enable the Board to make final decisions on the programming arrangements for the following framework period, as follows:

(a) A report with further clarifications on the questions raised by the members of the Executive Board at the annual 2002 session regarding some of the proposals for possible improvements in the present programming arrangements as detailed in document DP/2002/17; and

(b) Specific proposals for possible recalculations of the target for resource assignment from the core (TRAC) line 1.1.1 earmarkings in the course of the four-year framework period, including an arrangement to recalculate such earmarkings for countries that have seen a significant change in their gross national income (GNI) per capita, as well as the benchmarks to define such a change as significant.

The current paper has been prepared in response to decision 2002/10 and should facilitate timely decisions by the Executive Board on improved programming arrangements prior to the start of the next programming period.

* The collection and analysis of current data required to present the Executive Board with the most up-to-date information has delayed submission of the present document.

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Introduction

1. The new UNDP programming period will begin 1 January 2004, a little more than 15 months away. To ensure a smooth transition to the new programming period, it is crucial that the details of the programming arrangements for the new period are agreed upon as soon as possible. This will allow the Administrator to communicate to all parties concerned any agreed changes in the arrangements and in specific earmarkings and/or allocations. Experience has shown that without such lead time, the quality and timely delivery of UNDP assistance are likely to be negatively affected.

2. As part of the preparatory process for decisions by the Executive Board on the allocation of regular programme resources for the programming period 2004-2007 at the annual session 2002 of the Executive Board, UNDP presented document DP/2002/17, which outlined a number of recommended options for change in the current programming arrangements. These options were identified as a result of earlier informal consultations during which a working paper (DP/2002/WP.1) and several technical notes were reviewed.

3. The recommended changes are not meant to alter or dilute in any way the overall principles and features of the existing regular programming arrangements as earlier endorsed by the Executive Board. Rather, they are designed to reinforce these principles by addressing a limited number of issues that have been identified as impeding their practical application. These issues can be roughly divided into two categories:

(a) Issues caused by the current relative low-level of core programme resources. The proposal to establish minimum allocations for line 1.1.1 of the target for resource assignment from the core (TRAC 1) and the proposed introduction of fixed allocations for certain programme lines/components both fall into this category;

(b) Issues of a more technical nature and related to certain inconsistencies in the current methodology, which will cause unintended effects if they are not resolved before the transition to the next programming period. The proposed move to a "one-pool" model falls into this category.

4. At its annual session 2002, the Executive Board recognized the need for an early decision on the programming arrangements. Accordingly, in reviewing the various options for improving current programming arrangements, the Board requested more information and clarifications on a number of specific proposals contained in document DP/2002/17 in order to facilitate final decisions prior to the end of 2002. The Administrator was also requested to submit additional proposals for possible recalculations of TRAC 1 earmarkings in the course of the four-year framework period.

5. The current paper provides the requested information, which is presented in three separate sections, as follows:

(a) Additional information related to recommended changes in the TRAC 1 distribution model;

(b) Proposed arrangements for recalculating TRAC 1 earmarkings to reflect changes in gross national income (GNI) and population data during the four-year programming period;

(c) Additional information related to the proposed changes in the programming arrangements for specific programme lines/components other than the three TRAC lines (TRAC 1.1.1, TRAC 1.1.2 and TRAC 1.1.3), including a modified financial framework format.

Possible changes in the TRAC 1 distribution model

6. As mentioned in the introduction, two of the three identified issues can be partly addressed by some changes in the current TRAC 1 distribution methodology, as briefly explained below:

(a) Following the calculation of TRAC 1 earmarkings on the basis of the agreed regular (core) resource target for the period, the actual assignment of TRAC 1 resources has to be based on the actual regular income received. In accordance with decision 95/23, therefore, TRAC 1 earmarkings are reduced proportionally across the board if actual

regular resources available for programming fall short against the target. At current relatively low levels of regular resources, the necessary reductions result in TRAC 1 allocations for many countries that are less than the critical mass of working capital needed to meet the basic needs for technical assistance and to leverage additional other (non-core) resources for the same purposes;

(b) The establishment of fixed predetermined shares for low-income countries and middle-income countries (decision 95/23) runs counter to one of the fundamental principles underlying the formula earlier approved by the Executive Board for calculating TRAC 1 earmarkings, i.e., that, all other things being equal, a country with a GNI per capita below $1 464 should receive a higher TRAC 1 allocation if and when its GNI per capita decreases. (In earlier decisions, the Executive Board (or Governing Council) established a constant GNI per capita weight for countries with a GNI per capita between $1 464 and $4 700. Countries with a GNI per capita greater than $4 700 are treated as net contributor countries (NCCs)). In other words, by establishing de facto two separate pools of resources for respectively middle-income countries and low-income countries, the current methodology introduces distortions in the distribution of TRAC 1 resources. Such distortions are especially significant for countries with a GNI per capita just below or above the low-income category threshold of $900. Initial calculations of TRAC 1 earmarkings under the current methodology show that several countries with a 2001 GNI of just *above* $900 will receive a significant higher TRAC 1 earmarking than similar countries with a 2001 GNI just *below* $900.

7. To address the above issues, the Administrator proposed in document DP/2002/17 the following two changes in the current TRAC 1 distribution methodology:

(a) A minimum TRAC 1 allocation of $350 000 for all 117 non-NCC countries with a country office. Such minimum would then be introduced within the TRAC 1 distribution methodology as an absolute floor. Separate minimum TRAC 1 allocations would also be established for the eight multi-country offices with the minimum established at commensurate levels, depending on the countries covered by the country office and their TRAC 1 earmarkings;

(b) The distribution of available TRAC 1 resources in accordance with the current distribution formula under a one-pool model, i.e., without any predetermined share for low-income or middle-income countries.

8. The following paragraphs provide additional information on the impact of the proposed changes on the distribution of TRAC 1 resources among different categories of countries (least developed, middle-income and low-income) and regions. They also provide additional clarifications on specific details. Table 1 of paragraph 21 gives details on the impact of each of the proposed changes (both in isolation and in combination with each other) on the distribution of TRAC 1 resources among different categories of countries and by region.

Absolute minimum TRAC 1 allocation

9. Each country office requires at least a minimum amount of working capital to assist Governments effectively in their development efforts in the UNDP areas of focus. Without such a minimum critical mass of assured programmable resources, it is difficult for resident representatives to provide high-priority advisory services at the right time or to support new initiatives for policy formulation and capacity-building efforts by the Government. If regular resources available to a country office fall below a certain level, it also seriously limits the possibilities for UNDP to assist the concerned Governments in leveraging additional other (non-core) resources in support of the Millennium development goals (MDGs). The recent erosion of the regular resource base of UNDP in United States dollar terms has had an especially negative impact on the available regular programme resources of some small low-income countries and many middle-income countries. About 70 middle-income countries share only 12 per cent of the total available TRAC 1 resources. In consequence, their calculated TRAC 1 earmarkings are very low at current funding levels. The effects of diminishing TRAC 1 allocations for smaller low-income countries and the majority of middle-income countries is unfortunate as it is particularly in those countries that TRAC 1 resources can often be used most effectively to leverage significant additional regular resources.

10. Although the situation varies from country to country, indications are that an annual TRAC 1 allocation of $350 000 constitutes a minimal critical mass of assured regular resources that will allow UNDP to make a difference.

It also constitutes a minimum amount of funds to ensure proper use of the basic capacity of country offices and to enable them to mobilize additional resources. For the 2001-2003 programming period, about 45 country offices receive actual annual TRAC 1 allocations of less than this amount.

11. The Administrator, therefore, proposes to set the minimum TRAC 1 allocation at $350 000, which would also be in line with the $600 000 absolute minimum programming allocation established for all country offices of the United Nations Children's Fund (UNICEF). The average TRAC line 1.1.2 (TRAC 2) allocation (66.7 per cent of TRAC 1 allocation) would bring the minimum total of TRAC 1 and 2 allocations at about the level of the UNICEF minimum. This in its turn would facilitate further United Nations system harmonization efforts and ongoing discussions on a pilot programme aimed to consolidate small UNDP and UNICEF country offices to facilitate joint operations.

12. As outlined in document DP/2002/17, the Administrator also proposes that, similar to the UNICEF approach, separate minimum TRAC 1 allocations would be established for the eight multi-country offices, which currently cover 43 programme countries.[1/] The Administrator also proposed that the agreed minimum TRAC 1 earmarking would be reduced proportionately if the total regular resources available for programming fell below $450 million (implying total regular resources of $700 million as the currently approved biennial support budget amounts to $250 million per year).

13. The minimum TRAC 1 allocation would be introduced by applying the current formula but with the minimum serving as an absolute floor within the model (scenario 4 of table 1). The absolute TRAC 1 floor (equal to the agreed minimum) would be applied to all countries with a country office when running the model. Under the current two-pool model and a $1.1 billion scenario, about 17 country offices would benefit. Subsequently, when making annual TRAC 1 allocations on the basis of actual available TRAC 1 resources, the TRAC 1 earmarkings will be cut (or increased) proportionally across the board, similar to the current arrangements. No country office, however, would see its annual TRAC 1 earmarking cut below $350 000 unless regular resources fall below $700 million. In that case, the absolute minimum allocations would also be reduced proportionally. Under lower resource scenarios, more country offices would thus benefit (up to 32 under a $700 million scenario).

14. Under the current two-pool methodology, the introduction of a minimum TRAC 1 allocation would basically entail a more even distribution of the 12 per cent of TRAC 1 resources among middle-income countries, because the higher absolute floor would override the progressivity built into the distribution formula. In consequence, the middle-income countries with the lowest GNI per capita will to a large extent finance the higher floor supplements needed to introduce the minimum. Only few smaller low-income countries would be affected, as the calculated TRAC 1 earmarkings for the majority of low-income countries would normally be well above the minimum. This undesirable effect would be avoided, however, if the minimum were introduced in combination with the other proposed change of moving to a true one-pool TRAC 1 distribution model, as elaborated in paragraphs 16 through 22 below.

1/ The concerned country offices and proposed minimum are as follows: Barbados (NCC), covering ten countries, including five NCCs, proposed a minimum of $167 000; El Salvador, covering two countries, proposed a minimum of $369 000; Fiji, covering ten countries, proposed a minimum of $712 000; Jamaica, covering five countries, including four NCCs, proposed a minimum of $350 000; Samoa, covering four countries, proposed a minimum of $404 000; Slovenia, covering six countries, including four NCCs, proposed a minimum of $429 000; Trinidad and Tobago (NCC), covering four countries, including two NCCs, proposed a minimum of $117 000; Mauritius, covering two countries, including one NCC, proposed a minimum of $350 000.

15. An alternative approach would be to consider the amount required for the minimum allocations as a first claim on the total amount of TRAC 1 resources and to apply the present distribution formula to the remaining TRAC 1 funds, with the individual country floors adjusted for the minimum already secured. This would be similar to the UNICEF minimum allocation arrangement. The Administrator, however, does not recommend this option. Assuming a minimum of $350 000, it would mean that an amount of approximately $43 million of TRAC 1 resources would not be subject to the normal TRAC 1 distribution formula or the predetermined 88/12 shares for respectively low-income and middle-income regions. The concerned amount would be distributed among categories of countries and regions on the basis of country office presence. This would mean that slightly more than 50 per cent of the $43 million would go to the lower-income country category. Accordingly, at current resource levels this approach would result in a reduced share of total TRAC 1 resources for low-income countries from 88 per cent to about 81 per cent (scenario 3 of table 1)

One-pool TRAC 1 distribution model

16. The introduction of a one-pool model for the distribution of available TRAC 1 resources, i.e., without any predetermined fixed share for low-income or middle-income countries, would solve the distortion problems inherent in the current two-pool model as detailed in paragraph 6 (b). It would ensure that any country for which the GNI per capita moves below the low-income threshold of $900 would see its calculated basic TRAC 1 earmarking increase or vise versa.

17. Under the proposed arrangement, the move to a one-pool TRAC 1 distribution model would be accompanied by a move to a range of percentages for the acceptable share of TRAC 1 resources allocated to the low-income countries of 85 to 91 per cent. The Administrator would only revert back to the Executive Board if the distribution formula were to result in a share of TRAC 1 resources allocated to the low-income category falling outside this range. Additional adjustment in the main parameters of the existing distribution formula could then be considered by the Executive Board, including changes in the low-income and NCC thresholds and/or changes in the GNI per capita breakpoints at which the GNI per capita weights shift progressively.

18. If the current distribution formula is applied to a one-pool model, the use of 2001 GNI per capita and population data would result in a 91.7 per cent share of TRAC 1 resources for low-income countries (scenario 5 of table 1). This would obviously cause problems for many of the 70 middle-income countries. As a group, they would see a 50 per cent reduction in their TRAC 1 earmarkings. Reducing the share of TRAC 1 resources for middle-income countries from 12 per cent to less than 8 per cent would also run counter to the arguments made in paragraphs 9 through 11 above for keeping regular resources for the middle-income group at a viable minimum level, both for individual country offices and for the group as a whole.

19. One way to correct this undesirable effect of a move to a one-pool model would be to shift the breakpoint at which the GNI per capita weight remains constant from $1 464 (as under the current model) to $2 975 which is the World Bank threshold for lower middle-income countries (scenario 6 of table 1). As shown in table 1, this would result in a one-pool model that maintains the current shares of low- and middle-income countries of 88 and 12 per cent, respectively. At the same time, it would introduce greater progressivity within the middle-income group for countries with a GNI per capita between $1 464 and $2 975. It would, however, not provide the desired critical mass of regular resources for all UNDP country offices.

20. A more desirable alternative to changing the $1 464 breakpoint in the current formula is to combine the introduction of the move to a one-pool model with the introduction of the proposed $350 000 TRAC 1 earmarking built into the distribution model as an absolute floor for TRAC 1 earmarkings for all countries with a country office (scenario 7 of table 1). The combined introduction of both changes has four advantages:

(a) At current ($700 million) or lower levels of regular resources, it would result in similar shares for middle- and low-income countries as in the case under the current methodology (88 and 12 per cent, respectively);

(b) It would not only provide the middle-level income group as a whole with a viable level of regular resources but would also ensure that each country office has a critical mass of regular resource funds to operate effectively;

(c) It would ensure an increasing share in TRAC 1 resources for the low-income countries and least developed countries (LDCs) if the level of regular resources would increase (up to 90.8 per cent and 61.5 per cent, respectively, under a $1.1 billion resource scenario);

(d) By combining the one-pool model with the proposed $350 000 TRAC 1 minimum, there is no specific group of countries that will finance the higher TRAC 1 earmarkings of countries that will benefit from the minimum at lower resource scenarios. All countries make a very modest contribution. At high resource scenarios, the effect of the minimum on the distribution is insignificant.

21. Table 1 shows the distribution of TRAC 1 resources by category of countries and by region under the different variations in the distribution methodology discussed in paragraphs 7 through 19. Table 1 clearly illustrates that the combination of the one-pool model with the introduction of a TRAC 1 minimum of $350 000 (shown in column 7a and 7b for different resource scenarios) has some distinct advantages. It will ensure that, at current regular resource levels, the share of the lower-income group will stay in line with earlier Executive Board decisions. At higher resource levels, however, the individual shares for the lower-income group, the LDCs and the Africa region would increase. At the same time, it would ensure that all country offices have at least a critical mass of regular funds to make use of their programming capacities and to enable UNDP to play an optimal role in all countries. This is especially important for the middle-income countries where UNDP resources are often crucial for assisting the Governments concerned in pursuing new initiatives in key areas that will attract additional resources from other parties.

Table 1

Impact of alternative TRAC 1 distribution methodologies discussed in paragraphs 7 through 20 Based on 2001 GNI per capita and population data

	(1)	(2)	(3)	(4)	(5)	(6)	(7) (Recommended option)	
							(a)	(b)
	Current distribution based on 1997 GNI/ population data (2001-2003)	Current methodology based on 2001 GNI/ population data (2004-2007)	Current methodology (two-pool) with minimum TRAC 1 allocations outside the model at $700 million	Current methodology (two-pool) with minimum TRAC 1 allocations inside the model at $700 million	Current methodology applied to one-pool model	Current methodology applied to one-pool model and change in breakpoint	Combined scenarios 4 and 5 at $700 million	Combined scenarios 4 and 5 at $1.1 billion
By category								
Low-income	88%	88%	81%	88%	91.7%	88.1%	88.1%	90.8%
Middle-income	12%	12%	19%	12%	8.3%	11.9%	11.9%	9.2%
LDC	60%	60%	55%	60%	61.6%	60.1%	60.0%	61.5%
By region								
Africa	48%	47.4%	43.9%	48.2%	49.4%	47.6%	48.2%	49.2%
Asia	31%	30.2%	28.6%	29.8%	30.5%	30.1%	29.8%	30.3%
Arab States	8%	8.5%	9.2%	7.7%	7.4%	8.1%	7.7%	7.6%
Latin America	5%	4.9%	7.2%	5.3%	4.2%	5.2%	5.3%	4.4%
Europe	8%	9.0%	11.1%	9.0%	8.5%	9.0%	9.0%	8.5%

22. In reviewing the different options reflected in table 1, the following additional clarifications may be helpful:

(a) *Column 2 – current two-pool methodology.* If the Executive Board were to decide not to change the current methodology, 2001 GNI per capita population data would result in a slightly lower share for the Africa region than its share for the current programming period, 2001-2003. About 20 countries would be significantly affected by the distortions caused by the two-pool system as explained in paragraph 6 (distortions of more than 5 per cent in their TRAC 1 share). About 17 regular country offices would have to manage an annual TRAC 1 earmarking below $350 000 under a $1.1 billion scenario. This number would increase to about 32 country offices under the current $700 million scenario, which would allow annual TRAC 1 allocations of about 50 per cent of TRAC 1 earmarkings calculated at $1.1 billion.

(b) *Column 3 – current two-pool methodology with a minimum TRAC 1 allocation outside the model.* For reasons explained in paragraph 15, the shares of TRAC 1 resources going to lower-income countries, LDCs and the Africa region would remain below the respective shares shown in Column 2, even under a $1.1 billion resource scenario.

(c) *Column 4 – current two-pool methodology with a minimum TRAC 1 allocation calculated within the model (absolute floor).* The shares of TRAC 1 resources going to lower-income countries, LDCs and the Africa region would remain unchanged under higher resource scenarios. Higher resource scenarios would basically restore the progressivity for the middle-income group while at the same time reinforcing the distortions inherent in the current two-pool model.

(d) *Column 5 – current methodology applied to a one-pool model.* The shares shown will not change at higher or lower resource scenarios as individual TRAC 1 earmarkings will be reduced proportionally.

(e) *Column 6 – current methodology applied to a one-pool model and a change in breakpoint for keeping the GNP per capita weight constant from $1 464 to $2 975.* Similar to column 5, the shares will not change at different resource scenarios.

(f) *Columns 7(a) and 7(b) –one-pool model with $350 000 minimum TRAC.* If regular resources available for programming were to fall below $450 million (or alternatively if regular resources were to fall below $700 million), the TRAC 1 shares for different categories of countries and regions would remain as shown in column 7(a). In that case, all earmarkings, including the minimum TRAC 1 allocations, would be reduced proportionately with the shortfall.

Proposed arrangements for recalculating TRAC 1 earmarkings to reflect changes in GNI and population data during the four-year programming period

23. In its decision 2002/10, the Executive Board requested that the Administrator provide proposals for possible recalculations of the TRAC 1 earmarkings in the course of the four-year framework period and to propose in this context also an arrangement to recalculate such earmarkings for countries that have seen a significant change in their GNI per capita, as well as benchmarks to define such a change as significant.

24. With regard to possible arrangements for interim recalculations of all TRAC 1 earmarkings during the four-year programming period, the Administrator has identified two possible options: (a) an annual recalculation based on the latest available *World Bank Atlas* data in GNI per capita and population; and (b) a mid-term recalculation before the end of the third year of the four-year period, based on *World Bank Atlas* data on GNI and population for the previous year. The first option would also automatically address the issue of a timely recalculation of TRAC 1 earmarkings for countries for which the GNI has changed significantly. More frequent recalculations would not be possible as the *World Bank Atlas* data are published on an annual basis.

25. Each of these two options has somewhat different potential ramifications for the predictability of TRAC resources available for individual countries. At present, the predictability is only affected by the uncertainties with respect to the annual regular income in United States dollar terms because the TRAC 1 earmarkings remain unchanged during the programming period. The actual allocations of TRAC resources are, therefore, only subject to proportional across the board reductions or increases if available resources fall short of or exceed the agreed target. Revision of the individual

TRAC 1 earmarkings during the programming period would add another element of uncertainty regarding the level of actual TRAC resources available to individual countries.

26. The Administrator wishes to stress, in this connection, that the predictability of TRAC resources contributes to the quality of UNDP programmes given the nature of UNDP assistance, which is provided within the context of multi-year country programmes, with multi-year project commitments. A high degree of predictability of available resources for the programming period as a whole is also important because UNDP is increasingly concentrating its assistance in a number of complex areas where the formulation of projects and/or programmes requires a relatively long lead time and involves often multiple funding and implementation partners.

27. Predictability of UNDP programme resources for individual countries has also been recognized by the Executive Board as an important element for effective technical cooperation. It is reflected in the "floor principle", which is an integral part of the TRAC distribution methodology. The floor principle not only acknowledges that the development of a country takes place in a continuum, which makes it desirable to avoid abrupt reductions in the level of UNDP cooperation from one programming period to the next, but is also meant to prevent abrupt major changes in the TRAC earmarkings of a country as a result of (sometimes temporary) shifts in its GNI per capita data.

28. The Administrator, therefore, recommends the option of a mid-term recalculation of TRAC 1 earmarkings before the end of the third year of the financial framework period. A mid-term recalculation would strike a balance between the need for maximum predictability of TRAC resources for a given programming period and the need to ensure that the distribution of TRAC 1 resources reflects relatively recent socio-economic developments in all programme countries. A mid-term recalculation, instead of annual recalculation, would also limit the additional workload for UNDP as the World Bank does not publish GNI per capita and population data for all UNDP programme countries. Each recalculation will thus require special efforts to obtain assistance from the United Nations Statistical Office in order to arrive at updated estimates for about 10 to 15 countries.

29. If the Executive Board, however, were to decide on the desirability of an annual recalculation of the TRAC 1 earmarkings, the Administrator would strongly recommend that the Board also confirm that the current floor arrangements continue to apply for the whole duration of the four-year period, i.e., countries would be guaranteed that during the four-year period their TRAC 1 earmarkings would never fall below a certain percentage of their TRAC 1 earmarkings for the previous programming period (90 per cent for countries with a GNI per capita below $750; 80 per cent for countries with a GNI per capita between $751 and $1 500; 70 per cent for countries with a GNI per capita between $1 501 and $4 700; and 60 per cent for new net contributor countries with a GNI per capita beyond $4 700 during the initial grace period). An annual recalculation in which the above floor percentages were applied each time TRAC 1 earmarkings are recalculated would seriously affect the predictability and thus effective programming of TRAC resources at the country level. For instance, an annual recalculation of TRAC 1 earmarkings for countries with a GNI per capita between $1 501 and $4 700 could in theory result in a 76 per cent reduction over a four-year period if the current floor percentage were applied on an annual basis.

30. Unlike the alternative of annual recalculation of all TRAC 1 earmarkings, the recommended arrangement for a mid-term review of all TRAC 1 earmarkings before the end of the third year of the financial framework period would only partially address the issue of more rapid and timely adjustments in the level of TRAC resources available to countries that experience a sudden and significant change in their GNI per capita as a result of special circumstances. So far, such cases have been relatively rare, partly because the *World Bank Atlas* data on GNI per capita take into account a three-year weighted average of inflationary factors and exchange rates.

31. If the Executive Board accepts the recommended option of a mid-term review of all TRAC 1 earmarkings, the Administrator proposes, therefore, a special arrangement to recalculate *in any year* the TRAC 1 earmarkings for countries that experience at least a 25 per cent drop or increase in their World Bank GNI per capita figure from the figure on which their TRAC 1 earmarkings are based, combined with a drop below, or an increase above, one of the key thresholds, i.e., the $900 GNI per capita threshold for low-income countries and the $4 700 GNI per capita threshold for net contributor countries. The concerned adjustments would be financed from the programme reserve, similar to the earlier approved

financing arrangement for adjustments in TRAC earmarkings as a result of subsequent World Bank revisions in the GNI per capita figure for the base year.

Proposed changes in the programming arrangements for specific programme lines/components

32. In document DP/2002/17, the Administrator proposed a number of changes in the programming arrangements for specific programme lines other than TRAC lines 1.1.1, 1.1.2 and 1.1.3. In reviewing these proposals, the Executive Board has requested additional details with regard to the proposal to establish fixed absolute amounts for selected programme lines/components within the financial framework. Such additional information was requested because the Board needed a fuller picture of the justification for such fixed allocations for each of the concerned programme lines/components and for the amounts proposed.

33. The Executive Board also recognized that, at lower levels of regular resources, the proposed fixed allocations would translate into higher percentage shares for the concerned programme lines/components in the total of available regular programme resources, as compared to their shares under the current programme financial framework. At lower resource levels, this would thus result in decreased shares for the remaining variable lines of the financial framework. Accordingly, the Administrator was requested to submit to the Board at its second regular session 2002 an overall strategy, which would ensure that, at lower resource levels, any increase in the percentage share for the proposed fixed programme lines/components would not affect the critical funding needs for the remaining variable lines. Such a strategy should be accompanied by different options for safeguarding the percentage shares of key variable lines at lower resource scenarios, especially the three TRAC lines and the total share of regular programme resources allocated to all programme lines that are directly managed at the country level.

Rationale for each of the proposed fixed allocations

34. Each of the concerned lines/components of the financial framework represents a specific programme that is designed to provide direct support or essential inputs for key country-level operations and requires a certain minimum amount of resources to function effectively. As explained in the foregoing paragraphs and in paragraphs 30 through 32 of document DP/2002/WP.1, the overall objective of the introduction of fixed absolute amounts for selected programme lines/components of the financial framework is twofold:

(a) It will ensure that the concerned programmes are adequately funded at current resource levels ($700 million) so that they can function effectively and produce the results expected and required;

(b) It will ensure that any future increases in the level of regular resources can be fully channeled to country-level and related activities covered by the remaining variable programme lines.

The Human Development Report Office (currently part of line 1.3)

35. The proposed fixed allocation for the *Human Development Report (HDR)*, to become effective in 2004, is $5.3 million. The HDR was launched in 1990 with the goal of placing people at the centre of the development process in terms of the development debate, policy and advocacy. The HDR has evolved to become a significant policy document on development thinking at the global level, which has also led to the preparation of national and regional HDRs. The current level of resources for the HDR stands at $5.3 million annually, of which about $2.9 million is financed from the global programme. The remaining funding has come from ad hoc sources, such as other (non-core) contributions and budgetary savings where possible.

36. The activities of the HDR Office in UNDP include writing background papers, country studies, data research and preparing tables for statisticians to derive figures for the human development index, gender equality papers and for workshops with advisory groups. The HDR Office is also the secretariat for setting the common standards for national HDRs, building related HDR web sites, sponsoring human development training courses and developing HDR summaries in different languages and other related publications. (The secretariat staff contributes significantly to the substantive work in the preparation of the HDR.)

37. Given the significant contributions that the HDR makes to the overall development debate and the ongoing efforts to strengthen further the support provided in the preparation of national HDRs, it is of crucial importance that the programme is placed on a stable minimum funding base. The current situation of uncertain funding places the sustainability of the HDR at risk. Many Member States have frequently stated that the HDR should be adequately funded from regular resources and not from other (non-core) resources because regular resource funding would ensure the independence of the publication.

Office of Development Studies (currently part of line 1.3)

38. The proposed fixed allocation for the Office of Development Studies (ODS), to become effective in 2004, is $1.1 million. ODS contributes to the global development role of UNDP by providing forward-looking policy analyses and promoting research partnerships with leading think tanks around the world on issues of sustainable human development. It is also responsible for building bridges between policy analysis and policy-making. ODS publishes a number of thought-provoking books and discussion papers and organizes round tables, meetings and lecture series. These publications are invaluable to policy-makers, academics, development specialists and others interested in exploring key development issues. A reasonable annual level of $1.1 million is proposed under the fixed allocation, similar to the current level of $1 million and taking into consideration a modest inflation adjustment.

39. In large measure, it is the in-house ODS staff that contributes to the substantive work related to ODS publications. A clear example is a new publication reflecting major new research results on providing global public goods, to be issued in October 2002, plus a series of other related publications, workshops and panels linked to key development issues and events, such as the International Conference on Financing for Development and the World Summit on Sustainable Development (WSSD), to be held from 26 August to 4 September 2002 in Johannesburg.

40. ODS enables UNDP to provide a clear leadership role in the international development dialogue, which is evident from policy statements, literature and the practical steps taken by a number of countries and multilateral organizations to rethink their development cooperation programmes in terms of global public goods – a result obtained through extensive outreach and policy dialogue initiatives. As such providing a minimum funding base of $1.1 million annually from regular resources, would enable ODS to continue to carry out its valuable work.

The Economist Programme (currently financed from earlier savings under the biennial support budget)

41. The proposed fixed allocation for this programme, to become effective in 2004, is $4.5 million. The Economist Programme was reviewed within the context of the budget estimates from the biennium 2002-2003 (DP/2001/21) when the Executive Board agreed to finance the Economist Programme, amounting to $4 million annually, from programme resources instead of the support budget (Executive Board decision 2001/13). This shift was to capture accurately the substantive character and value of the activities carried out by the economists at the country level. The proposed $4.5 million under the fixed allocation provides the level of resources required to maintain this important capacity at its current level, reflecting a modest inflation adjustment.

42. The Economist Programme comprises of 27 economists based at the country level, the majority in Africa. The economists are involved in providing strategic and policy analysis support to country offices, analysis of development opportunities and constraints – particularly in support of country-level policy dialogue with client Governments and other development partners, as well as the provision of policy advisory services in all the six practice areas. They also contribute significantly to the development, delivery and mainstreaming of specific policy instruments and services into national development initiatives. These services notably include national long-term perspective studies, national HDRs, socio-economic briefs, poverty-reduction strategy papers and the implementation of UNDP country-wide and thematic interventions. They are also involved in monitoring poverty reduction and progress towards the Millennium development goals (MDGs), the promotion of strategic partnership building and resource mobilization by country offices. Their leadership roles in regional and sub-regional initiatives and in knowledge management and networking also provide vital contributions to the work of UNDP at the country level.

43. The contributions of the Economist Programme to the work of UNDP at the country level are significant. A minimum funding base of $4.5 million annually from regular resources would enable this group to continue providing their valuable contributions to UNDP country-level activities.

Development support services (line 3.1.1)

44. The proposed fixed allocation for this line, to become effective in 2004, is $6 million. These resources provide resident representatives with flexibility in responding to emerging substantive needs of countries. The present funding of this important facility of around $1million annually, however, has proven inadequate. Accordingly, the Executive Board agreed earlier to the UNDP proposal to utilize $2.5 million in budget savings annually to increase the resource level for development support services (Executive Board decision 2001/13). Nevertheless, when situations arise at the local level where UNDP can clearly play a role, resident representatives often still lack the reasonable level of resources to fund any meaningful quick-response interventions. This is in sharp contrast with other institutions, such as the World Bank, that have this capacity.

45. This facility is considered essential to assist resident representatives in addressing programme country priority needs for technical assistance and to enable them to function as responsive partners in the development process. It also enables them to make better-informed programme decisions, take new initiatives and add new dimensions to the programme.

46. Including the earlier allocation from budget savings, the average amount available per country office is currently around $26 000. The proposed level of $6 million will provide an average of $45 000 per country office, a reasonable level for this support to resident representatives that would also help in leveraging other (non-core) resources to support emerging needs in countries.

Support to the resident coordinator (line 3.1.2)

47. The proposed fixed allocation for this line, to become effective in 2004, is $13.5 million. The General Assembly recognizes that UNDP is responsible for coordinating the operational activities of the United Nations system at the country level. To this end, UNDP is responsible for being the funder and manager of the resident coordinator system. The current level of programme resources for this function has remained at around $4.6 million annually (compared with an originally planned level of $15.4 million under a $1.1 billion income scenario) which has resulted in average annual country office allocations of $35 000. This amount is far from adequate for UNDP to respond effectively to the expanded mandate of the General Assembly.

48. These resources help to fund a number of United Nations system initiatives, including follow-up to global conferences, common country assessments, joint data bases, country studies for the development of common premises and services and other initiatives to promote major United Nations cross-cutting goals, such as the advancement of women. The allocations have proven to be a cost-effective and flexible means to encourage country-level United Nations system coordination and collaboration and to implement the annual work plans of the United Nations country teams. The proposed level of $13.5 million under the fixed allocation will provide an average of $100 000 per country office so that country offices will have a reasonable level for programming for this crucial function.

Evaluation Office (line 1.4)

49. The proposed fixed allocation level for this line, to become effective in 2004, is $2.5 million. The Executive Board has always articulated the need to carry out a systematic and comprehensive assessment of the results, effectiveness and impact of the substantive activities of the programme, funded by a reasonable level of resources. This need is underpinned by General Assembly resolution 56/201 (paragraphs 48-56) on the triennial comprehensive policy review of operational activities for development (E/1998/48) and the increased demand for independent validation of reported results, which subsequently warrants closer attention to the need for a stable resource base.

50. Since 1999, the annual allocation to the evaluation component has declined from the originally envisaged level of $3.3 million to less than $1 million, which makes the evaluation function vulnerable and difficult to sustain. It is for this reason that a fixed allocation at $2.5 million is being proposed. This would be complemented by an allocation of $1.5 million under the support budget for the Evaluation Office. A reasonable level of resources is required under the programme to undertake monitoring and evaluation activities expected by the Executive Board, as well as to ensure the overall substantive accountability of the Administrator. In this connection, it should be stressed that such evaluations, which will be financed from the proposed fixed allocation, are in addition to the regular project evaluations that are normally financed from project resources (TRAC or other resources).

51. Major accomplishments under this component have included the development of new procedures in monitoring and evaluation and the conduct of thematic and strategic evaluations. With results orientation being reinforced in all UNDP operations, the new procedures have required greater clarity and specificity in defining expected results, the use of lessons learned in programme and project formulation and implementation, and the mandatory participation by main stakeholders in the annual assessment of programmes and projects. Evaluations of country-specific, regional and global programmes are primarily the responsibility of the respective units. The role of the Evaluation Office in this regard is to provide methodological support, monitor compliance, analyze trends and report findings to the Executive Board regularly.

52. The evaluation function is a crucial one that needs to be adequately funded. The proposed fixed allocation of $2.5 million under the programme, complemented by a $1.5 million biennial support budget allocation for the Evaluation Office, will provide a reasonable funding base for this important function.

Technical cooperation among developing countries (line 1.5)

53. The proposed fixed allocation level for this line, to become effective in 2004, is $3.5 million. The current level of programme resources has remained at $1.7 million annually, which has been inadequate to support the mandated activities of this programme. The technical cooperation among developing countries (TCDC) facility is especially important because it is designed to finance the sharing of South-South experiences, expertise and knowledge with the specific aim to make TCDC an integral part of country, regional and interregional programmes and to introduce cost-effective modalities for South-South technical cooperation. Having a reasonable level of resources will support the TCDC modality to foster the goals of national and collective self-reliance while broadening the scope and quality of international cooperation.

54. A more secure funding of the TCDC facility at an annual level of $3.5 million is especially important as the Special Unit for TCDC has recently taken an increasing number of initiatives for developing new approaches to employment creation, social protection, labour welfare, pension reform and social security, particularly for individuals in the informal sector. Adequate funding is essential to bring the expected results. For instance, an innovative initiative launched by the Administrator in 2001 responds to the HIV/AIDS epidemic through collaborative efforts to fight HIV AIDS in Botswana, drawing upon the experience of Brazil in countering the epidemic via the country's education system. Similar programmes are planned subject to available funding. Other planned new initiatives will be designed to replicate some of the other recent success stories. For example, the TCDC facility provided crucial support to the second Africa-Asia Business Forum, held in Johannesburg, which brought together some 108 companies from Africa and 60 from Asia that signed 104 memoranda of understanding worth over $75 million. TCDC assistance to the West Africa Rice Development Association (WARDA) resulted in the development of new high-yielding and high-protein rice varieties called New Rice for Africa (NERICA). The dissemination of NERICA promises to increase rice production to 744 000 tonnes in the sub-region by 2006 and to reduce imports by $88 million per year.

55. In addition the TCDC facility will continue to support South- South meetings, such as the Fourth World Trade Organization Ministerial Conference held in November 2001 in Doha, Qatar and the Tenth Meeting of the Intergovernmental Follow-up and Coordination Committee on Economic Cooperation among Developing Countries, which led to the formulation of the Teheran Consensus – a blueprint for consolidating key agreements reached by a number of developing countries over the past three decades It will also continue to publish its journal, *Cooperation South*, and further strengthen its online information system, WIDE, in order to provide an array of services, including information on South expertise and pioneering development practices.

Options for financing potential increases in the percentage share of the proposed fixed programme lines/components at lower resource scenarios

56. At current resource levels, the introduction of the proposed fixed absolute allocations would result in an increase in assigned resources for the seven fixed programme lines/components. Such increases would be both in absolute dollar terms (about $18 million, taking into consideration that the Economist Programme and part of the development support services allocation are currently financed from savings under the 2002-2003 biennial support budget) and as a percentage of available programme resources (about 4 per cent, taking into consideration that HDRO and ODS are currently financed under line 1.3). Some changes in the percentage share of the remaining variable lines will consequently be required to ensure that the allocations for critical programmes financed under these lines are duly safeguarded at current (or lower) resource levels.

57. Based on the views expressed at the annual session 2002 of the Executive Board, the Administrator has identified four broad options for changes in the percentage shares for the remaining variable lines that are briefly detailed in paragraph 58 below. The corresponding financial frameworks are included in the annex of this document in tables 1 to 4. The options presented for changing the percentage shares are somewhat limited by the fact that, besides the three TRAC lines, only three other programme lines will remain variable. The Board, however, may wish to consider additional changes in the percentage share of programme resources for individual programme lines for other reasons. All four options have two things in common:

(a) They will assure that at current ($700 million) or lower regular resource levels the available regular programme resources for each of the three TRAC lines will be at least the same as under the current programming arrangements, both in terms of absolute amounts in United States dollars and as a percentage share. The percentage share for the three TRAC lines would increase from their current shares if the level of regular resources were more than $700 million. Similarly, the percentage share of the other three variable lines would increase, although perhaps not up to their current level. Under higher resource scenarios, however, even the non-TRAC variable lines would see higher allocations in United States dollar terms than at present; and

(b) The percentage share of total available regular programme resources going to each of the individual programme lines (both fixed and variable) would be kept constant if regular resources available for programming were to fall below the $450 million level (implying total regular resources of $700 million). In that case, the fixed allocations would become variable again and would be reduced proportionally with any shortfall below the $450 million level.

58. To facilitate a comparison between the four options, all programme lines have been grouped under two broad categories as follows: (a) *Country lines* – programmes that are fully, or for the major part, directly managed at the country level within the context of the country programme processes and related consultations with the concerned Governments; and (b) *inter-country lines* – programmes that are in principle centrally managed in support of country activities, although part of the concerned resources may subsequently be assigned to and managed by country offices. The four options identified by the Administrator include:

(a) **Option 1** (i) Increases in the percentage shares for the fixed country lines (about 2.1 per cent under a $700 million scenario) will be financed from the remaining variable non-TRAC country line (line 2.2 United Nations Strategic advisory facility (UNSAF) formerly called support for policy and programme development and support for technical services); and (ii) increases in the percentage shares for the fixed inter-country lines (about 2.7 per cent under a $700 million scenario) will be financed from proportional reductions in the remaining two variable inter-country lines (line 1.2 regional programmes and line 1.3 global programmes). This option is recommended by the Administrator.

(b) **Option 2** Same as (1) above, but with one addition. The fixed allocations for HDRO and ODS will be financed through a reduction of the percentage share for line 1.3 global programme which currently finances both programmes and the remaining increase in the percentage share for the fixed inter-country lines (about 2.0 per cent) will be financed from proportional reductions in line 1.2 and line 1.3.

(c) **Option 3** Increases in the percentage shares for *all* fixed lines are financed from a proportional reduction in the percentage shares for both remaining variable inter-country lines (line 1.2 regional programmes and line 1.3 global programmes). This option will thus increase the percentage share for the country lines. At current resource levels, this would result in significant reductions in available funding for the regional and global programmes and would thus seriously curtail their activities.

(d) **Option 4** Increases in the percentage shares for *all* fixed lines are in the first instance financed through an abolishment of the remaining variable country line (line 2.2 UNSAF). The balance will be financed from proportional reductions in the remaining variable inter-country lines (line 1.2 regional programmes and line 1.3 global programmes). This option will thus increase the percentage share for inter-country lines and reduce the share of resources managed directly at the country level.

Annex

Table 1. Programme financial framework under option 1

Financial framework				For information only	
	(a)	*(b)*	*(c)*	*(d)*	*(e)*
UNDP programme and support to operational activities of the United Nations	**Current percentage of resources available for programming at $1.1 billion**	**Fixed allocations (millions $)**	**Proposed percentage of resources available for programming under variable lines**	**Percentage of resources available for programming at $1.1 billion**	**Percentage of resources available for programming at $700 million or lower**
Country					
Variable lines					
Lines 1.1.1 and 1.1.2 – TRAC	70.6%	-	76.8%	73.5%	70.6%
Line 1.1.3 – TRAC	6.6%	-	7.2%	6.9%	6.6%
Line 2.2 – UNSAF	4.0%	-	2.0%	2.0%	1.9%
Subtotal	*81.2%*	-	*86.0%*	*82.4%*	*79.1%*
Constant lines					
Line 3.1.1 – DSS	0.4%	6.0	-	0.7%	1.3%
Line 3.1.2 – Programme support to the resident coordinator	1.8%	13.5	-	1.6%	3.0%
Subtotal	*2.2%*	*19.5*	-	*2.3%*	*4.3%*
Subtotal country	**83.4%**	**19.5**	**86.0%**	**84.7%**	**83.4%**
Inter-country					
Variable lines					
Line 1.2 – Regional	10.0%	-	9.0%	8.6%	8.3%
Line 1.3 – Global	5.5%	-	5.0%	4.7%	4.5%
Subtotal	*15.5%*	-	*14.0%*	*13.3%*	*12.8%*
Constant lines					
Line 1.4 – Evaluation	0.4%	2.5	-	0.3%	0.6%
Line 1.5 – Special resources for TCDC	0.7%	3.5	-	0.4%	0.8%
Line 1.6 – HDRO/ODS/Economists*	0.0%	10.9	-	1.3%	2.4%
Subtotal	*1.1%*	*16.9*	-	*2.0%*	*3.8%*
Subtotal inter-country	**16.6%**	**16.9**	**14.0%**	**15.3%**	**16.6%**
Total UNDP programmes and support to operational activities of the United Nations	**100.0%**	**36.4**	**100.0%**	**100.0%**	**100.0%**

* Currently financed from line 1.3 (HDRO/ODS) and savings under the 2002-2003 biennial support budget (Economist Programme).

Table 2. Programme financial framework under option 2

Financial framework				For information only	
	(a)	*(b)*	*(c)*	*(d)*	*(e)*
UNDP programme and support to operational activities of the United Nations	**Current percentage of resources available for programming at $1.1 billion**	**Fixed allocations (millions $)**	**Proposed percentage of resources available for programming under variable lines**	**Percentage of resources available for programming at $1.1 billion**	**Percentage of resources available for programming at $700 million or lower**
Country					
Variable lines					
Lines 1.1.1 and 1.1.2 – TRAC	70.6%	-	76.8%	73.5%	70.6%
Line 1.1.3 – TRAC	6.6%	-	7.2%	6.9%	6.6%
Line 2.2 – UNSAF	4.0%	-	2.0%	2.0%	1.9%
Subtotal	*81.2%*	-	*86.0%*	*82.4%*	*79.1%*
Constant lines					
Line 3.1.1 – DSS	0.4%	6.0	-	0.7%	1.3%
Line 3.1.2 – Programme support to the resident coordinator	1.8%	13.5	-	1.6%	3.0%
Subtotal	*2.2%*	*19.5*	-	*2.3%*	*4.3%*
Subtotal country	**83.4%**	**19.5**	**86.0%**	**84.7%**	**83.4%**
Inter-country					
Variable lines					
Line 1.2 – Regional	10.0%	-	9.8%	9.3%	9.0%
Line 1.3 – Global	5.5%	-	4.2%	4.0%	3.8%
Subtotal	*15.5%*	-	*14.0%*	*13.3%*	*12.8%*
Constant lines					
Line 1.4 – Evaluation	0.4%	2.5	-	0.3%	0.6%
Line 1.5 – Special resources for TCDC	0.7%	3.5	-	0.4%	0.8%
Line 1.6 – HDRO/ODS/Economists*	0.0%	10.9	-	1.3%	2.4%
Subtotal	*1.1%*	*16.9*	-	*2.0%*	*3.8%*
Subtotal inter-country	**16.6%**	**16.9**	**14.0%**	**15.3%**	**16.6%**
Total UNDP programmes and support to operational activities of the United Nations	**100.0%**	**36.4**	**100.0%**	**100.0%**	**100.0%**

* Currently financed from line 1.3 (HDRO/ODS) and savings under the 2002-2003 biennial support budget (Economist Programme).

Table 3. Programme financial framework under option 3

Financial framework				For information only	
	(a)	*(b)*	*(c)*	*(d)*	*(e)*
UNDP programme and support to operational activities of the United Nations	**Current percentage of resources available for programming at $1.1 billion**	**Fixed allocations (millions $)**	**Proposed percentage of resources available for programming under variable lines**	**Percentage of resources available for programming at $1.1 billion**	**Percentage of resources available for programming at $700 million or lower**
Country					
Variable lines					
Lines 1.1.1 and 1.1.2 – TRAC	70.6%	-	76.8%	73.5%	70.6%
Line 1.1.3 – TRAC	6.6%	-	7.2%	6.9%	6.6%
Line 2.2 – UNSAF	4.0%	-	4.4%	4.2%	4.0%
Subtotal	*81.2%*	-	*88.4%*	*84.6%*	*81.2%*
Constant lines					
Line 3.1.1 – DSS	0.4%	6.0	-	0.7%	1.3%
Line 3.1.2 – Programme support to the resident coordinator	1.8%	13.5	-	1.6%	3.0%
Subtotal	*2.2%*	*19.5*	-	*2.3%*	*4.3%*
Subtotal country	**83.4%**	**19.5**	**88.4%**	**86.9%**	**85.5%**
Inter-country					
Variable lines					
Line 1.2 – Regional	10.0%	-	7.5%	7.2%	6.9%
Line 1.3 – Global	5.5%	-	4.1%	3.9%	3.8%
Subtotal	*15.5%*	-	*11.6%*	*11.1%*	*10.7%*
Constant lines					
Line 1.4 – Evaluation	0.4%	2.5	-	0.3%	0.6%
Line 1.5 – Special resources for TCDC	0.7%	3.5	-	0.4%	0.8%
Line 1.6 – HDRO/ODS/Economists*	0.0%	10.9	-	1.3%	2.4%
Subtotal	*1.1%*	*16.9*	-	*2.0%*	*3.8%*
Subtotal inter-country	**16.6%**	**16.9**	**11.6%**	**13.1%**	**14.5%**
Total UNDP programmes and support to operational activities of the United Nations	**100.0%**	**36.4**	**100.0%**	**100.0%**	**100.0%**

* Currently financed from line 1.3 (HDRO/ODS) and savings under the 2002-2003 biennial support budget (Economist Programme).

Table 4. Programme financial framework under option 4

	Financial framework			For information only	
	(a)	*(b)*	*(c)*	*(d)*	*(e)*
UNDP programme and support to operational activities of the United Nations	**Current percentage of resources available for programming at $1.1 billion**	**Fixed allocations (millions $)**	**Proposed percentage of resources available for programming under variable lines**	**Percentage of resources available for programming at $1.1 billion**	**Percentage of resources available for programming at $700 million or lower**
Country					
Variable lines					
Lines 1.1.1 and 1.1.2 – TRAC	70.6%	-	76.8%	73.5%	70.6%
Line 1.1.3 – TRAC	6.6%	-	7.2%	6.9%	6.6%
Line 2.2 – UNSAF	4.0%	-	0%	0%	0%
Subtotal	*81.2%*	-	*84.0%*	*80.4%*	*77.2%*
Constant lines					
Line 3.1.1 – DSS	0.4%	6.0	-	0.7%	1.3%
Line 3.1.2 – Programme support to the resident coordinator	1.8%	13.5	-	1.6%	3.0%
Subtotal	*2.2%*	*19.5*	-	*2.3%*	*4.3%*
Subtotal country	**83.4%**	**19.5**	**84.0%**	**82.7%**	**81.5%**
Inter-country					
Variable lines					
Line 1.2 – Regional	10.0%	-	10.3%	9.9%	9.5%
Line 1.3 – Global	5.5%	-	5.7%	5.4%	5.2%
Subtotal	*15.5%*	-	*16.0%*	*15.3%*	*14.7%*
Constant lines					
Line 1.4 – Evaluation	0.4%	2.5	-	0.3%	0.6%
Line 1.5 – Special resources for TCDC	0.7%	3.5	-	0.4%	0.8%
Line 1.6 – HDRO/ODS/Economists*	0.0%	10.9	-	1.3%	2.4%
Subtotal	*1.1%*	*16.9*	-	*2.0%*	*3.8%*
Subtotal inter-country	**16.6%**	**16.9**	**16.0%**	**17.3%**	**18.5%**
Total UNDP programmes and support to operational activities of the United Nations	**100.0%**	**36.4**	**100.0%**	**100.0%**	**100.0%**

* Currently financed from line 1.3 (HDRO/ODS) and savings under the 2002-2003 biennial support budget (Economist Programme).

United Nations DP/2002/29

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Country programmes and related matters

Assistance to Somalia (2002-2004)

Note by the Administrator

Elements of a decision

The Executive Board may wish to:

(a) take note of the current situation in Somalia and its implications for the need for and delivery of humanitarian and development assistance to the Somali people;

(b) endorse the strategic approach of the country office to promoting peace and security by concentrating on the three areas:

(i) the rule of law and security;

(ii) governance, public administration and civil society; and

(iii) poverty reduction.

(c) encourage UNDP to continue in its efforts to mobilize resources and establish strategic partnerships, including through the Consolidated Inter-Agency Appeal process, direct donor support and in the framework of the United Nations Department of Political Affairs Trust Fund for Peace-Building in Somalia; and

(d) authorize the Administrator to continue to approve projects consistent with the strategic approach on a case-by-case basis.

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Contents

		Paragraphs	Page
	Introduction	1	3
I.	Development situation from a sustainable human development perspective	2–8	3
II.	Results and lessons of past assistance	9-13	4
III.	Objectives, programme areas and expected results	14-28	5
	A. Rule of law and security	15-17	5
	B. Governance, public administration and civil society	18-21	6
	C. Poverty reduction	22-26	7
	D. Cross-cutting themes	27-28	8
IV.	Management arrangements	29-35	9

Introduction

1. In its decision 99/7, the Executive Board took note of the report on assistance to Somalia (DP/1999/11) and authorised the Administrator to continue to approve projects in Somalia on a case-by-case basis. In accordance with that decision, the present note outlines the proposed UNDP programme for 2002-2004 for Somalia. The note has been formulated taking into account the programme review, the re-profiling mission conducted in November 2001 and the inter-agency security mission fielded at the request of the Security Council in January 2002.

I. Development situation from a sustainable human development perspective

2. Development in Somalia continues to be subject to ongoing internecine warfare and widespread insecurity. The country has now been without a unified central government since the end of 1990, resulting in localized factional rivalry and fighting and the non-existence of the rule of law in many areas. The fighting and emergencies have caused the loss of an estimated 300 000 lives and the displacement of some 10 per cent of the population – 300 000 internally and a further 246 000 to neighbouring countries (NHDR 2001, page 199). Violence and suffering have affected populations in almost all parts of the country, with women, children, the elderly and marginalized groups being particularly hit hard. In the limited areas of the country that have managed to achieve relative peace and stability, local populations have initiated reconstruction of their communities and are achieving some progress in development, with little external support.

3. On the initiative of the Government of Djibouti and the regional Inter-Governmental Authority for Development (IGAD), a Somali national peace conference was held in Djibouti in April and May 2000. This culminated in the formation in September 2000 of a Transitional National Government (TNG) in the Somali capital, Mogadishu. As of June 2002 however, the TNG had not yet been able to establish full authority in or beyond the capital. Separate administrations remain in other parts of the country. Of these the self-proclaimed state of Somaliland in the northwest has been the most successful so far, with fragile but functioning systems of governance and administration. A fragile peace, with intermittent outbreaks of factional fighting, is holding in the northeast (the self-declared autonomous region of Puntland) and in the southwest around Baidoa. Elsewhere insecurity remains high.

4. While the fighting and fragmentation of authority have led to widespread destruction of economic infrastructure, new economic and political structures have emerged in more stable areas. The national human development report (NHDR) 2001 for Somalia noted that in the absence of central state authorities the main economic and human development in Somalia has been occurring at the grass-roots level. This has led to the emergence in places of a private sector characterized by its energy and innovation. The private sector however, has been left almost entirely without institutional support to facilitate its development and/or regulate its activities. Moreover, the economy and a large proportion of the population remain vulnerable to external shocks. The capacities and reach of public administration and civil society organizations must be strengthened to deal effectively with many broader development challenges facing Somalia, ranging from the securing of any sustained peace agreements, to the response to environmental degradation (a cause of subsidiary conflicts in the country).

5. The achievement of peace and stability is therefore of paramount importance. External support for peace has so far focused mainly on the efforts of the regional IGAD, which aims to establish a political and consultative framework to facilitate Somali reconciliation and national reconstruction. The United Nations Political Office for Somalia is also providing support for the peace and reconciliation process. Meanwhile, United Nations organizations have continued humanitarian and development operations in the country, focusing as appropriate on areas of relative calm with functioning authorities. These operations have an important role to play in building peace from the grass-roots level up and complement United Nations support to the efforts of IGAD (or other

parties) to bring about peace through political negotiations. In support of this, in March 2002 the United Nations Security Council requested that the Secretary-General coordinate ongoing peace-building activities and provide for their incremental expansion and establish a Trust Fund for Peace-Building in Somalia that would support preparatory activities on the ground and supplement the United Nations Consolidated Inter-Agency Appeal for Somalia.

6. The NHDR 2001 found that Somalia had an overall human development index (HDI) of 0.284, which places the country among the five least developed countries in the world. This low HDI nonetheless represents a slight improvement over previous years, giving a glimmer of encouragement that some of the more positive economic and social developments in the past five years have been having an impact on overall development. Chapter 5 of the NHDR 2001 provides all the development indicators for Somalia covered in this section.

7. While life expectancy indicators are comparable to neighbouring Ethiopia and Kenya, education and health indicators are considerably worse. It is estimated that some 49 per cent of the population live without access to sanitation and 77 per cent without access to safe water. In 1990 it was estimated that 60 per cent of the population was living below the poverty line. Available data suggest that this proportion remains as high today, if not higher. There are significant development inequities between urban and rural areas and between women and men. For example, the adult literacy rate for rural and nomadic populations is estimated at 10 per cent whereas the urban rate is 35 per cent. Female adult literacy is estimated to be only 52 per cent of the male rate and the female primary school enrolment ratio similarly is only 53 per cent of the male rate.

8. The attainment of the Millennium development goals (MDGs) in Somalia is a distant prospect. While the reversal of the decline in some development indicators suggests that private Somali initiatives and coping mechanisms do have a positive impact, the absence of firm governance structures and the continuing conflict make it difficult to address most MDG targets.

II. Results and lessons of past assistance

9. UNDP programming between 1997 and 2001 achieved positive results in the areas of civil protection, governance capacity-building and poverty reduction. Particular examples include: a) more than 2000 police were trained in northwest and northeast Somalia and Mogadishu and two police training centres were refurbished and staff retrained; b) some 2000 farms in the Gabiley region in north-west Somalia were surveyed to enable clear land ownership titles to be drawn up and registered, making each farm the legal property of its owner and acceptable as collateral for credit; c) in cooperation with the Food and Agriculture Organisation of the United Nations (FAO), a series of initiatives were undertaken to resolve the ban in several Gulf countries on the import of chilled meat and livestock from Somalia. As a result, Oman, the United Arab Emirates and Yemen reopened their markets for chilled meat and livestock from Somalia and import licences were introduced and granted to abattoirs in Galkayo and Mogadishu.

10. Valuable support was also provided in civil aviation and port services: a) the Civil Aviation Caretaker Authority for Somalia (CACAS) was established to manage air traffic control services, rehabilitate basic services in selected airports and run a flight information centre in Nairobi, which serves as the substitute for the Mogadishu air control tower; b) over 400 Somalis were trained in specific areas of civil aviation and ground services have been re-established at several airports inside Somalia; c) UNDP, with the United Nations Conference on Trade and Development (UNCTAD) and the financial support of the Governments of Sweden and the United States, completed a project on ports and trade efficiency and focused on improving the efficiency of Somali ports and facilitating trade diversification.

11. A further key result was the publication of the NHDR for 2001, the second for Somalia.

12. A number of lessons have emerged from the UNDP programme in the past four years, in particular through the reprofiling mission and programme review in November 2001. Overall, it is clear that the programme suffered from being too dispersed in its activities and intended outcomes. This is in part the result of the exceptional difficulty of the operating environment in Somalia (complete absence of a central government, fluctuations in security levels and inability to maintain a stable operating presence inside the country). In addition to these contextual difficulties, it was found that the lack of focus in the past programme resulted partly from over-ambitious planning, inadequate monitoring and evaluation of programme activities and projects and failure to follow up on initial assessments with concrete results on the ground.

13. In light of this, the following key recommendations have been made for the coming period:

(a) The overall programme should build upon existing successful programmes and aim to contribute to peace-building through development. The programme should continue to invest primarily in human capacity rather than physical infrastructure;

(b) Priority should be given to programmes less vulnerable to political insecurity and disruptions and to programmes which can reinforce political efforts to achieve stability and security, with care in all cases given to maintain UNDP neutrality;

(c) Increased attention must be given to implementation and delivery;

(d) Measures must be taken to ensure that the work of the United Nations Coordination Unit adequately serves both the resident coordinator and the humanitarian coordinator and that development activities are not neglected. This applies similarly to the consolidated inter-agency appeal process (CAP).

III. Objectives, programme areas and expected results

14. In view of the humanitarian and developmental situation in Somalia, the above recommendations and the global mandate of UNDP to work for the reduction of poverty, the country office is framing its programme to contribute to peace-building through development. The programme will work in three overall and inter-related thematic areas: (a) the rule of law and security; (b) governance, public administration and civil society; and (c) poverty reduction. These three programme areas represent essential building blocks for achieving overall peace and stability. Improved rule of law and security will increase stability in Somalia and facilitate rehabilitation of individual livelihoods. Strengthened governance institutions, public administration and civil society will provide a framework for enabling development across a broader range of dimensions – economic, human and social – and will facilitate dialogue for peace. The implementation of policies and activities for poverty reduction will provide both a means for improving the lives of the most disadvantaged in Somalia and a framework for longer-term economic and human development. In all its activities, UNDP will seek to ensure sustainability in programme outputs through local partners, existing authorities and non-governmental and civil society organizations. It will also remain alert for any opportunities that emerge for linkages with national bodies capable of replicating successful field undertakings.

A. Rule of law and security

15. Recognizing that the fluid and unstable situation currently prevailing in Somalia has severe consequences for development prospects from the level of the individual to the level of the country as a whole, the objective of this area of the programme will be to work for the restoration of the rule of law and a reduction in the sources of

insecurity in the country. Funding (including in-kind contributions) has been pledged from the European Union and the Governments of Denmark, Italy, Norway, Sweden, Switzerland and the United States. The strategy will focus on the following two outcomes.

16. Improved judiciary and law enforcement capacities, with increased respect for human rights. As part of a multi-agency project on the rule of law and civil protection, UNDP will provide assistance for the organization of legal systems in Somalia and provide capacity-building and training for new judiciary workers. UNDP will continue with an existing law enforcement initiative, which provides training for police forces and prison staff in international policing standards and human rights. Initiatives will also be carried out to improve human rights knowledge in the judiciary and police forces, as well as in the public at large. UNDP will also seek to support the establishment of human rights institutions and mechanisms for increasing access to justice. Target outputs include: (a) law school(s) or training centre(s) established to provide legal and human rights training to new and existing workers in the Somali judiciary system(s); (b) police forces trained in policing standards and human rights; and (c) establishment of legal advisory and/or human rights institutions (e.g. ombudsman) facilitated by UNDP.

17. Sustainable demobilization, disarmament and reintegration of combatants/militia, supported by implementation of small arms control measures. UNDP will lead the coordination and implementation of the Consolidated Demobilization Plan for Somalia. This plan has been adopted by 19 international non-governmental organizations (INGOs) and United Nations organizations and has received strong support from the Secretary-General. With the full participation of local communities, UNDP will aim to demonstrate ways for the comprehensive reintegration of ex-combatants into society and will seek to develop the capacities of local authorities and regional "demobilization departments" to coordinate and sustain the process. Complementing this, with the support of the Bureau for Crisis Prevention and Recovery (BCPR), a project for small arms control will be implemented. A first phase is already being carried out, aimed at establishing a basis for scaling up the project over the longer term in partnership with international NGOs and with the involvement of Somali authorities and local communities. Target outputs include: (a) a database of militias established; (b) options developed and piloted for psycho-social assistance, vocational training and reintegration of ex-combatants/militia; (c) effective strategies and policies on demobilization, disarmament and reintegration implemented by local and/or regional authorities; and (d) legal framework(s) for small arms control established and implemented.

B. Governance, public administration and civil society

18. The objective will be to strengthen representative governance institutions, public administration and civil society in order to improve the ability of existing local governance institutions to fulfil their roles effectively. In general, UNDP will aim to improve the administration of key public infrastructure and services that impact on economic development. At the local level, the organization will aim to enable local authorities, civil society organizations and local communities to play a stronger role in the management of development. The strategy will focus on the following three outcomes.

19. Improved effectiveness of Somali (regional) institutions of representation and governance to perform their legislative, administrative and oversight functions. Working with regional governing institutions in specific areas such as administrative systems and financial management, UNDP will seek to reinforce democratic and participatory approaches to governance. It will promote the establishment of effective systems for the distribution of power between the local, regional and (where possible) national levels and through this seek to increase Somali dialogue for peace. Target outputs include: (a) regional Somali authorities and civil servants trained in parliamentary and ministry-specific practices and standards; (b) administrative and legal frameworks for public financial accounts, standards and accountability proposed and reviewed by regional authorities; and (c) dialogue established between governing authorities on issues of administration, peace and security.

20. Improved enabling environment for the development of a competitive, market-oriented private sector. UNDP will focus on the administration of key public infrastructure, services and mechanisms that can facilitate economic growth. Building on previous results, assistance will be provided specifically to the country's aviation and ports authorities. At the policy level, UNDP will seek to assist the development of appropriate economic policies and measures and the establishment of basic regulatory frameworks. Target outputs include: (a) improving essential facilities and services in local Somali airports; (b) implementing measures for increased financial self-sufficiency for Civil Aviation Caretaker Authority for Somalia (CACAS), including better collection of over-flight charges; (c) preparing and reviewing by authorities options for involvement of the private sector in the management of Berbera and Bosasso ports and establishment of free trade zone and (d) implementing new economic policies and measures conducive to economic growth (e.g. covering customs, tariffs, trade regulation, information and communication technology).

21. Local authorities, civil society organizations and communities in rural and urban areas involved in the planning and management of development activities. Sustainable recovery and development in Somalia will depend to a large extent on the organization and involvement of local authorities and communities. Since the breakdown of central government, many active civil society and non-governmental organizations have emerged but with limited capacities and largely in isolation from each other. UNDP will provide capacity building for local authorities and civil society organizations in selected areas of need. It will pursue ways of increasing the involvement of local communities in issues such as land use, basic services and development planning in general. Through this, it will also seek to foster dialogue for peace at the local level. Target outputs include: (a) network(s) of civil society organizations created and coordination in development activities facilitated; and measures implemented enabling civil society organizations and affected communities to participate in the formulation and implementation of local development plans and in peace dialogue.

C. Poverty reduction

22. In this area the objective will be both to reduce poverty in specific areas – at the level of the individual and locality – and to assist the formulation and adoption of policies that will contribute to the wider and sustained reduction of poverty. Assistance will be provided for internally displaced persons, returning refugees and other disadvantaged groups to reintegrate and re-establish livelihoods. Supporting activities will be carried out at the regional and, as far as possible, national levels. This will be complemented by monitoring of poverty and progress towards the MDGs. Four overall outcomes will be aimed for.

23. Anti-poverty strategies and action plans developed through participatory processes involving in particular the poor and other disadvantaged groups. Through the Somalia Watching Brief Programme, co-financed by the World Bank Post-Conflict Fund and in collaboration with Somali authorities and other development partners, UNDP will work to improve capacities for collecting, monitoring and assessing poverty and gender-disaggregated data. It will use the NHDR process to promote broad and inclusive debate on poverty reduction strategies. UNDP will work in consultation with the various administrative authorities in Somalia and other development partners to prepare a poverty reduction strategy, which could serve as the basis of an interim poverty reduction strategy paper (PRSP) for Somalia. Target outputs include: (a) preparing next NHDR, focusing on national recovery and poverty reduction; (b) producing MDG report(s) through collaboration between UNDP, United Nations organizations and Somali authorities; and (c) Somali authorities identifying and reviewing options for participatory formulation of an interim PRSP.

24. Development of key economic sectors facilitated and sources of income for the poor protected. Building on established partnerships with Somali authorities, UNDP will aim to support the development of key economic sectors and opportunities for diversification. Assistance will be provided for developing capacities in land surveying. Particular attention will be given to strengthening the priority areas of remittance systems and livestock or chilled meat exports. Target outputs include: (a) establishing mechanisms enabling local authorities

to increase coverage of cadastral surveys; (b) formulating and implementing action plan for remittance companies to comply with relevant international financial rules and regulations with assistance from UNDP; (c) developing and reviewing options for remittance companies to expand their operations to commercial banking and other financial services; and (d) Somali authorities formulating measures for improved processes and standards in livestock exports, with UNDP assistance.

25. Sustainable recovery and reintegration of returning refugees, internally displaced persons and other conflict-affected or marginalized populations. UNDP will direct its activities in this area through an initiative launched with the Office of the United Nations High Commissioner for Refugees (UNHCR) under the auspices of IGAD, designed to facilitate the reintegration of uprooted populations in the Horn of Africa. Activities will be carried out in collaboration with United Nations organizations, NGOs and Somali authorities, with UNDP playing a lead coordinating role. The Government of Sweden has already contributed to the project and other donors have pledged support. Target outputs include: (a) initiatives implemented to provide basic social services to reintegrating populations; (b) pilot initiative(s) formulated for creating livelihood opportunities for reintegrating populations and implementation begun; and (c) effective policies for recovery and reintegration and management of the process implemented by local and/or regional authorities.

26. Increased national capacity for mine action targeted at improving access to land and livelihood resources for the poor. Landmines and unexploded ordnance affect a wide range of aspects of Somali life, from the loss of life, disability and insecurity of affected communities, reduced land available for livestock and cultivation, to increased transportation costs. It is the rural poor who are most affected by the loss of productive land and the risk of injury resulting from landmines and unexploded ordnance. Somalia lacks a comprehensive mine action database and cannot effectively prioritize and coordinate mine action. UNDP will play the lead coordinating role in the development and implementation of a Mine Action Support project, building on a preparatory phase launched in early 2002. Target outputs include: (a) establishing a mine action centre and database; (b) "recovering" land in pilot areas for farming use as a result of mine-marking and prioritized clearance; and (c) setting up a mine and unexploded ordnance action plan on the basis of landmine impact surveys, enabling targeted extension of activities to new areas of the country.

D. Cross-cutting themes

27. Environment, gender, HIV/AIDS and information and communication technology (ICT) will be cross-cutting themes within the programme's three thematic areas. UNDP will explore ways of incorporating environmental concerns into policies and practices and developing capacity in disaster prevention, preparedness and management. UNDP will seek to increase the participation of women within its programme activities and beyond in Somali society. Working with UNFPA, the United Nations Children's Fund and the United Nations Development Fund for Women, it will promote their participation in activities and policy-making that concern the re-establishment of security and the rule of law and more broadly in decision-making at all levels. In cooperation with other United Nations organizations, UNDP will work to incorporate the combat of HIV/AIDS in all its activities and will seek to highlight the issue of the spread of HIV/AIDS in situations of conflict, displacement, return and movement along trade routes. UNDP will seek to build upon a project funded by the Government of Denmark responding to identified ICT needs in educational and administrative institutions in northwest Somalia. In this it will explore partnership opportunities with private sector companies to fill the gap left by a missing national government framework for ICT development. Target outputs for these cross-cutting themes include: (a) raising public awareness about the relationships between environmental management and livelihoods in order to increase ownership of environment issues; (b) taking concrete measures for the inclusion of women in local and regional authorities and in decision-making processes for development; (c) raising public awareness on patterns of transmission of HIV/AIDS, especially along trade/trucking routes; and (d) improving Internet access for educational institutions in targeted areas, with scope for extension to other users.

28. Another key cross-cutting issue is that of security, the absence of which is a significant constraint on both development and humanitarian programme delivery. Development programmes in particular require security as a precondition for sustainability of results. Consequently, security will be a primary condition to the initiation of development activities and an integral part of all development programme documents and plans. Continued close coordination between the country office and the cost-shared United Nations Security Coordinator (UNSECOORD) team will ensure staff and programme security in the foreseeable future. All security arrangements and activities will continue to be guided by the Security Plan for Somalia. The Security Management Team, chaired by the resident representative will meet frequently to ensure that executive inter-agency security management decisions remain responsive to the fluid security situation in the country.

IV. Management arrangements

29. Considerable efforts have been made to strengthen Somali participation and ownership in the programme through consultation mechanisms such as local management/steering committees. Monitoring, review and evaluation systems for the provision of regular feedback and reporting with a focus on outputs and outcomes have been put in place for all sub-programmes and projects.

30. During 2002, the country office will complete implementation of the reprofiling. New training will be undertaken for country office staff. The country office will also aim to benefit from support resources from headquarters, including from BCPR, as well as from other country offices as appropriate. Networking, knowledge management and policy support will be sought from the sub-regional resource facility (SURF) for the Arab States.

31. Since 2000, the country office has begun to implement projects using the direct execution modality in order to take direct charge of the management of UNDP-funded projects and improve the visibility and standing of UNDP in Somalia. Considerable success has been achieved to date and the country office intends to continue to use this execution modality where appropriate. The country office has already strengthened its capacity to handle direct execution and will further strengthen it during the remainder of 2002 with direct execution training for all staff. As new programmes are prepared, the country office will ensure, as in the past, that United Nations organizations and international and national NGOs are identified where appropriate to implement relevant components of each programme. The country office will also use the services of fully funded United Nations Volunteers (UNVs) to assist in programme implementation.

32. It has become clear that the location of the country office outside Somalia is a severe limiting factor for programme effectiveness. For this reason, UNDP has begun to transfer programme and project monitoring functions to Somalia. The process of transfer is incremental and is strictly subject to security considerations. Ultimately, security permitting, it is envisaged that Nairobi will become an overall liaison office and that the programme will operate out of four sub-offices covering broad geographical areas within Somalia: Baidoa, Garowe, Hargeisa and Mogadishu. This will allow country office programme monitoring functions to be fully devolved inside the country. Until then, these sub-offices will operate with a largely project-based orientation, focusing on implementation, monitoring and evaluation of activities and outputs.

33. The country office will continue to place emphasis on raising other (non-core) resources from as wide a donor net as possible, though at the same time seeking contributions from Somali partners. Total potential donor interest is great. In 2001, donors pledged more than $10 million to UNDP. The principal donors already actively supporting the UNDP programme for Somalia are Denmark, the European Union, Finland, Italy, the Netherlands, Norway, Sweden, the United Kingdom and the United States. A new partnership has been established with the World Bank, which since May 2002 has been co-financing the Somalia Watching Brief. In addition, countries such as Canada, France, Germany and South Africa have expressed strong interest in the situation in Somalia and

in UNDP-led initiatives in the country. The country office will use core funds as seed money to leverage third party co-financing.

34. The country office recognizes that there is a strong need to encourage donors and the international community to move beyond a persistent focus on short-term humanitarian emergency interventions and to become more actively involved in long-term recovery and development activities. Drawing on practical examples of successful development in Somalia, the country office will now seek to identify development partners for building long-term strategic partnerships and "development coalitions" that go beyond individual projects and programmes. These will include traditional and non-traditional donors, international financial institutions, other United Nations organizations, international NGOs, the private sector and regional institutions. The country office will also continue to involve donors in the project formulation and evaluation process through respective steering committees and the Somali Aid Coordination Body (SACB).

35. Since 1990, international organizations and the United Nations system in particular have borne a primary responsibility for ensuring the effective coordination of humanitarian assistance operations and aid programmes and collaboration with Somali regional counterparts. Since March 1995, international staff and many national staff from United Nations and other aid organizations have withdrawn from Mogadishu, as a result of prevailing insecurity and established temporary operation centres in Nairobi, Kenya. Other United Nations organizations are present in Somalia only through specific development projects. The United Nations Political Office for Somalia (UNPOS) is also temporarily based in Nairobi. The United Nations Resident/Humanitarian coordinator facilitates coordination within the United Nations country team and in this is supported by a secretariat, the United Nations Coordination Unit (UNCU), which includes UNDP and the United Nations Office for the Coordination of Humanitarian Affairs (OCHA) officers in Nairobi and in the field. The UNCU has now been restructured to ensure that development activities and humanitarian imperatives are adequately coordinated and addressed by the offices of the Resident Coordinator and Humanitarian Coordinator. Coordination in Nairobi between the United Nations system, the European Union, NGOs, donors and members of the international community is facilitated by the SACB, a voluntary aid coordination forum created in December 1993. The SACB is an experiment aimed at consensual management of aid operations and shoulders much of the responsibility for "coordination" of aid agencies operating in Somalia. The Resident Coordinator acts as a Vice-Chairman of the SACB Executive Committee and chairs the Steering Committee, which leads SACB sectoral committees. Recently, conditions have permitted United Nations, UNDP and OCHA to set up three centres of operation inside Somalia. They report to the Resident Coordinator and are responsible for inter-agency assessments, information sharing and common planning. United Nations organizations in Somalia are in the final stages of preparing the Joint Action Recovery Plan (JARP), which outlines a common assessment of the overall situation and a common plan to address the challenges that Somalia presents. The JARP will be completed in the third quarter of 2002 and for the time being will take the place of the common country assessment and the United Nations Development Assistance Framework for Somalia.

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Report of the Executive Director*

Summary

The present document provides a mid-term review of the implementation of the UNIFEM Strategy and Business Plan 2000-2003, focusing on trends and challenges and major results achieved during the biennium 2000-2002.

The opportunities and challenges of today's world highlight the need for transformational leadership, economic justice, and a commitment to sustained peace. Women are critical to all efforts to create a world free from poverty, violence and inequality. UNIFEM programming, focused on women's economic security, governance and peace-building, and women's human rights contributes significantly to the response of the United Nations system to these challenges. Implementation of each of these objectives is measured and driven by a results-based framework, designed to create a learning and knowledge based institution. The present report presents major results achieved in each of the UNIFEM programme areas and looks at challenges and opportunities for the second biennium of its Strategy and Business Plan.

In taking note of the present report, the Executive Board may wish to endorse the results achieved by UNIFEM in implementing its Strategy and Business Plan 2002-2003, recognize its continuing progress in becoming the centre of excellence within the United Nations development system for promoting women's empowerment and gender equality, in line with its mandate as contained in General Assembly resolution 39/125 and reaffirm the role of UNIFEM in promoting gender-mainstreaming throughout the operational activities of the United Nations system.

* The collection and synthesis of results from all regions needed to present the Executive Board with the most up-to-date information has delayed submission of the present document.

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Contents

		Paragraphs	Page
	Introduction	1-5	3
I.	United Nations Development Fund for Women: mission and mandate	6-8	4
II.	UNIFEM Strategy and Business Plan 2000-2003: a mid-term review	9-51	4
	A. Programme activities	10-29	4
	B. Strengthening United Nations system capacity to support gender-mainstreaming	30-35	8
	C. Learning organization principles and strategic partnerships	36-40	10
	D. Personnel, financial and programme management	41-45	11
	E. Expanded resource base	46-51	11
III.	Challenges and opportunities for the second biennium 2002-2003	52-56	13

Introduction

1. At its second regular session in April 2000, the Executive Board of UNDP and UNFPA endorsed the Strategy and Business Plan 2000-2003 of the United Nations Development Fund for Women (UNIFEM). Taking into account the results achieved, lessons learned and gaps remaining from the previous Plan, the Strategy and Business Plan 2000-2003 outlined five strategic objectives to guide the work of the organization for the next four-year period. The present document provides a mid-term review of the implementation of the Strategy and Business Plan 2000-2003, focusing on trends, challenges and major results achieved during 2000-2002.

2. Two globally agreed documents are central guides for UNIFEM efforts: the Beijing Platform for Action, adopted at the 1995 Fourth World Conference on Women, and the Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW). UNIFEM is dedicated to building strong women's organizations to enable them to negotiate new and better policies with their Governments and international organizations, and to assisting Governments in implement their commitments to women's empowerment and gender equality. In the context of the Secretary-General's reform agenda, UNIFEM supports the United Nations system by ensuring that gender concerns are incorporated into the policies and activities of United Nations organizations, governments, and civil society partners.

Trends: challenges and opportunities

3. Several global trends affected UNIFEM work during the reporting period, creating both challenges and opportunities. First, as globalization increasingly influences economic opportunities worldwide, its effects remain uneven, creating both risks and opportunities. While globalization has generated opportunities for local producers and entrepreneurs to reach international markets, for many poor women, it has intensified existing inequalities, often translating into the loss of livelihoods, labour rights and social benefits. Second, the growing number of national and regional conflicts, notably in Afghanistan, South Asia, the Middle East and Africa, underlines the disproportionate number of women among displaced and refugee communities and the widespread use of sexual violence as a weapon of war, highlighting the need to draw on women's leadership in conflict resolution and peace-building. Finally, the rising rate of HIV/AIDS infection among women underlines the fact that in non-conflict situations, as well, women's human rights are still denied, violated or ignored in many countries and contexts. Violence against women continues in all its many forms--and while recognition of the gender and human rights dimensions of HIV/AIDS has increased, the growing toll of the pandemic on women is urgently in need of greater visibility and action.

4. At the same time, several recent developments within the United Nations system have significantly expanded the opportunities for UNIFEM to move forward on its mandate and implement its Strategy and Business Plan. In June 2000, at the United Nations General Assembly Special Session (UNGASS) Women 2000: Gender Equality, Development and Peace for the 21st Century (Beijing +5) Governments reaffirmed and strengthened the commitments that they made at the 1995 Fourth World Conference on Women in Beijing. The Declaration of Commitment signed by all 189 Member States at the UNGASS on HIV/AIDS in June 1999 put gender equality and women's empowerment at the forefront of efforts to combat the epidemic worldwide. The Millennium development goals, adopted at the Millennium Summit in September 2000, include goal 3: advancing gender equality and women's empowerment, which endorses the mission and mandate of UNIFEM. Finally, the adoption of Security Council resolution 1325 on women, peace and security in October 2000 provides the opportunity to promote women's leadership in governance and peace-building in all regions.

5. Gender equality is also one of the 14 thematic sections of the triennial comprehensive policy review (E/1998/48). The TCPR 2002, which recognizes the importance of globalization, urges improved United Nations partnerships and capacity-building efforts to support national development priorities, specifically recommending efforts to ensure a reverse in the feminization of poverty and accelerated efforts in gender mainstreaming in the framework of all operational activities.

I. United Nations Development Fund for Women: mission and mandate

6. Within the United Nations system, UNIFEM works for women's empowerment and gender equality and links women's issues to national, regional and global agendas by fostering collaboration and providing financial and technical support to gender mainstreaming and women's empowerment strategies. Its mandate is to: (a) support innovative and experimental activities benefiting women in line with national and regional priorities; (b) serve as a catalyst, with the goal of ensuring the involvement of women in mainstream development activities, as often as possible at the pre-investment stage; and (c) play an innovative and catalytic role in relation to the United Nations system of development cooperation (General Assembly resolution 39/125). Subsequent General Assembly resolutions (54/136; 56/130) have endorsed and strengthened the work of UNIFEM in a number of strategic areas, including CEDAW implementation, peace and security and HIV/AIDS.

7. The opportunities and challenges of today's world make transformational leadership, economic justice, and a commitment to sustained global peace imperatives. Women are critical to all of these and therefore must be part of all national and international strategies to create a world free from poverty, violence and inequality. UNIFEM programming--focused on economic security, governance and peace building, and promoting women's human rights--is making a significant contribution to the coordinated response of the United Nations to the current challenges.

8. UNIFEM is responding to these opportunities and challenges by strengthening the strategic focus, synergy and inter-linkages among its programme efforts. Five core strategies guide UNIFEM work: (a) strengthening the capacity and leadership of women's organizations and networks; (b) leveraging political and financial support for women from a wide range of stakeholders; (c) forging new partnerships among women's organizations, Governments, the United Nations system and the private sector; (d) undertaking pilot projects to test innovative approaches to women's empowerment and gender mainstreaming; and (e) building a knowledge base on effective strategies for engendering mainstream development.

II. UNIFEM Strategy and Business Plan 2000-2003: a mid-term review

9. UNIFEM work is guided by its Strategy and Business Plan 2000-2003, which focuses on five key objectives:

(a) Increasing options and opportunities for women, especially poor women, through focused programming in three thematic areas;

(b) Strengthening United Nations system capacity to support women's empowerment and gender-mainstreaming;

(c) Strengthening effectiveness by incorporating the principles of a learning organization and building strategic partnerships;

(d) Ensuring that UNIFEM personnel, financial and programme management systems effectively and efficiently support the goals and programmes of the organization;

(e) Building a larger and more diversified resource base.

The remainder of the document outlines progress and results achieved under each of these objectives.

A. Programme activities

10. UNIFEM programme activities focused on measuring and achieving results under Objective 1: increasing options and opportunities for women, especially poor women, through focused programming in three thematic areas: (a) strengthening women's economic security and rights; (b) ensuring that women's leadership shapes governance and peace-building; and (c) promoting women's human rights and eliminating violence against women.

11. Implementation of each of these objectives is measured and driven by a results-based framework, which resulted from a consultative process and is designed to create a learning and knowledge-based institution. For each objective, a set of desired results were identified, together with a set of indicators of progress and a guide for measurement. Key results emerging from work in these three thematic areas have included: (a) women's economic security and rights; women's leadership in governance and peace-building; and (c) women's human rights and the elimination of violence against women.

Women's economic security and rights

12. UNIFEM work on strengthening women's economic security and rights responds to the opportunities and challenges presented by globalization. Four key results emerged from the organization's work in this area.

13. *New and strengthened institutions, laws and policies to facilitate women's equal ownership and access to economic resources and ensuring that women's work is recognized, valued and supported.* UNIFEM supports efforts to raise the awareness of policy-makers about the gender biases that limit women's economic opportunities, including tax systems, credit and investment policies that discriminate against women and the prevalence of a "male breadwinner" assumption that does not fully recognize women's work and worth. UNIFEM is collaborating with the International Labour Organization (ILO) to map the needs of home-based workers and advocate for greater social protection in the Asia and Pacific region. The Fund also supports studies and capacity-building strategies to identify the effects of national and international legislation and agreements on women's social and economic rights in Latin America. In Tajikistan, UNIFEM successfully advocated legislators to eliminate a disproportionate tax burden faced by women "suitcase traders". UNIFEM also supports the collection and use of sex-disaggregated data to inform economic policy-making, legislation and policies to strengthen women's economic security in the informal sector, and grassroots activities to link women's economic and social rights. It is working to achieve greater visibility for women's unpaid work in census exercises. Collaboration between UNIFEM and national statistical departments has contributed to the incorporation of gender in the data collection systems of India and Nepal, leading to greater acceptance by policy-makers of the need to measure women's work in national census exercises.

14. *Increased knowledge and understanding of how to manage globalization and economic transition from the perspective of poor women.* Analyzing the impact of trade policies on women's livelihoods and incorporating a gender perspective in macroeconomic policies are key elements of UNIFEM work in this area. In Africa and Latin America, UNIFEM is supporting the creation of regional networks to advocate for gender-responsive macroeconomic options, including a Network of African Women Economists and a network of non-governmental organizations (NGOs) in Latin America and the Caribbean called Iniciativa Cartagena that advocates for gender perspectives in the outcomes of the International Conference on Financing for Development in Monterrey, Mexico, in March 2002, and its follow-up.

15. *Increased economic capacity for women entrepreneurs, producers and informal sector workers.* UNIFEM support is enabling women producers to strengthen market linkages, access information and communication technologies (ICTs) to facilitate business development, and analyze sub-sectors to identify promising economic opportunities. The Fund's assistance has been instrumental in launching the Technical Resources Network for Small and Micro-Enterprises in the Arab States, a forum for South Asian women entrepreneurs, a network of Peruvian and Ecuadorian artisan women, and networks of women entrepreneurs that are using ICTs to access new markets.

Supporting opportunities in information and communication technologies

In Jordan, an innovative partnership was launched between UNIFEM, Cisco Systems and the Government of Jordan to expand opportunities for women in the ICT sector. With support from the Cisco Foundation, UNIFEM commissioned a comprehensive assessment of gender issues and opportunities for women in the sector, the results of which were shared with the Government and academic institutions. The partnership is designing women-specific Cisco Networking Academy programmes and has developed a curriculum that takes young women's needs and interests into account. Results of this pilot will feed into replication projects in other countries in the region.

16. *New commitments to incorporate gender perspectives in government budget policies and allocations.* UNIFEM is providing direct support to gender responsive budget analysis in more than 20 programme countries. It collaborated with the Government of Belgium to organize a global meeting, " Strengthening Economic and Financial Governance Through Gender Responsive Budgeting," the goal of which was to mobilize political and financial support to strengthen the capacity of governments as well as civil society organizations to carry out these initiatives and to support the global vision of gender responsive budget initiatives in all countries by 2015. The conference resulted in the endorsement by 47 countries of a communiqué urging Governments and NGOs to encourage the incorporation of gender analysis in the preparation, implementation, audit and evaluation of government budgets at all levels. UNIFEM advocacy resulted in the incorporation of gender analysis in the design of the national health budget in Mexico and a chapter on gender inequalities as a regular feature of the annual economic survey published by the Government of India.

Women's leadership to shape governance processes and peace-building

17. UNIFEM programmes in governance and peace-building bring a gender perspective to constitutional, electoral, legislative, judicial and policy processes in order to strengthen the rule of law and ensure gender justice. Its work focuses on providing assistance to women in conflict situations; supporting their participation in peace processes; and strengthening the gender focus in electoral, constitutional, legislative and judicial processes.

Ensuring women's role in rebuilding Afghanistan

UNIFEM is supporting women's leadership in the peace-building and reconstruction process, enabling women to voice their needs and create a common vision for the future. A women's consultation in Brussels in December 2001, organized by UNIFEM in partnership with the Government of Belgium, brought together 40 Afghan women from both Afghanistan and the diaspora along with donors and United Nations organizations working in Afghanistan. The resulting Brussels Action Plan helped shape the United Nations Immediate and Transitional Assistance Programme (ITAP) for the Afghan People 2002 and the Preliminary Needs Assessment prepared under the auspices of UNDP, the World Bank and the Asian Development Bank. The Afghan Women's Consultation, held in Kabul in March 2002, brought together 60 women from different provinces and produced a national women's agenda calling for increased access to health care and education and greater participation in economic, political and social life.

UNIFEM strategy for Afghanistan focuses on the following areas: (a) *strengthening women's economic security, rights and opportunities to enjoy secure livelihoods* through skills training, employment and increased access to markets (with ILO and UNIDO); (b) *ensuring women's participation in national decision-making*, and supporting legal and constitutional reforms to comply with internationally adopted standards; (c) *supporting the Ministry of Women's Affairs (MOWA)* to develop a national strategy to support women's advancement and strengthen gender issues in national policy-making (with UNDP); (d) *supporting the establishment of regional Women's Centers*, in collaboration with MOWA, to train service providers and women's NGOs in a range of legal and social services; (e) *supporting Internally Displaced and refugee women* to reintegrate into their communities (with UNHCR); (f) *providing technical support to United Nations system wide efforts* to ensure women's participation in the United Nations system response; and (g) *support to NGOs, media and civil society* to raise awareness on women's situation and needs.

18. UNIFEM work in this area greatly expanded during the period under review, especially following the adoption of Security Council resolution 1325. In the preparations for the Security Council debate on women, peace and security, UNIFEM was asked by Namibia, during its presidency of the Security Council, to prepare background materials for the historic debate and to address the Council. UNIFEM worked with the NGO Working Group on Women and International Peace to arrange for women advocates knowledgeable about peace negotiations from Guatemala, Zambia, Somalia and Sierra Leone to present their personal perspectives to Security Council members. Their testimonies evoked a strong response from Council members. Over the reporting period, nearly $15 million has been contributed by bilateral donors and the United Nations Foundation for multi-year programmes to provide assistance to women in conflict, to build understanding of the impact of war and armed conflict on women, and to support women's roles in building peace. There are two critical results in this area.

19. *The creation of replicable models to increase women's leadership in peace-building and reconstruction.* In Africa, UNIFEM support to successful advocacy for gender perspectives in the Burundi peace process led to an invitation from the facilitator of the inter-Congolese dialogue to provide advice and subsequent support to women's groups to develop an agenda for influencing peace negotiations. In East Timor, UNIFEM collaboration with the Gender Adviser of the United Nations Transitional Administration in East Timor in supporting women's political participation resulted in 268 women candidates – 27 per cent of the total – and one woman being elected to the 88 member Constituent Assembly.

20. *New and strengthened partnerships with United Nations organizations to build women's leadership in peace-building and to engender protection and assistance efforts.* Collaborations have been launched with the Joint United Nations Programme of HIV/AIDS (UNAIDS) and UNFPA to address gender and HIV/AIDS in the peacekeeping environment in Sierra Leone; with the United Nations Department of Political Affairs to support women's participation in peace processes in Burundi, the Democratic Republic of the Congo and Sudan; with the United Nations Development Group and the country team in Islamabad to prepare the gender section of the ITAP for the Afghan People; and with the Office of the Special Advisor on Gender Issues and the Department of Peace Keeping Operations in the follow-up to Security Council resolution 1325. UNIFEM participation in the Office for the Coordination of Humanitarian Affairs (OCHA) Consolidated Appeal for Afghanistan resulted in increased visibility of women and stimulated policy discussion within OCHA about ways to improve attention to gender issues within inter-agency processes. UNIFEM partnerships in Central and Eastern Europe and the Commonwealth of Independent States (CIS) resulted in a network of organizations working to strengthen women's role in peace-building, including the Organization for Security and Co-operation in Europe, the Office for Democratic Institutions and Human Rights, the Soros Women's Network Programme and United Nations organizations active in the region.

21. UNIFEM work on leadership also focuses on strengthening linkages across women's machineries, women parliamentarians and the women's movement. Support to the first Women Asia-Pacific Parliamentarians' Conference on Transformative Leadership for Good Governance in the 21st Century resulted in increased understanding of women's transformative leadership and good governance. Support to women's organizations and the national machinery in Ecuador resulted in the adoption of a quota for women of 30 per cent, to increase by 5 per cent in each election until it reaches 50 per cent.

Women's human rights and eliminating violence against women

22. UNIFEM work to promote women's human rights and eliminate violence against women now includes a programme to mainstream gender into HIV/AIDS strategies and an ongoing programme to promote CEDAW and the Trust Fund in Support of Actions to Eliminate Violence against Women. There are three main results in this area.

23. *New and strengthened policies, legislation and commitments in support of women's rights.* A new law on domestic violence in the Ukraine, a national action plan to eliminate violence against women in Indonesia, a national action plan on CEDAW in Nepal, and the use of CEDAW in the constitutional review process in Rwanda are examples of the stronger enabling environments for women's rights created through UNIFEM-supported initiatives in all regions.

24. UNIFEM work on CEDAW has focused on improving reporting, monitoring and implementation and strengthening partnerships between Governments and NGOs to use the Convention to create stronger legal and policy frameworks for gender equality. Programme highlights include CEDAW and Sharia law in Western Asia; CEDAW and women's political participation in Southeast Asia (with UNDP); popularizing CEDAW in the Caribbean; and technical expertise to link CEDAW to other critical global issues, such as HIV/AIDS. UNIFEM facilitates government and NGO participation in preparing CEDAW reports and interaction between NGOs and CEDAW Committee members.

25. *New or stronger institutional mechanisms to address gender-based violence.* Institutional mechanisms were created or strengthened through project initiatives such as those in Bangladesh where the Government is setting up a cross-ministerial anti-trafficking cell and in Brazil where local governments in numerous cities have created an inter-sectoral network of community and government services to improve support for women survivors of violence. UNIFEM is collaborating with the ILO to make visible women's contributions to the "care economy" and the impact of the HIV/AIDS epidemic on women's lives and options. The Fund is also exploring the establishment of gender equality zones (GEZ) to show that, once gender-responsive legal mechanisms and gender-sensitive policies are in place, it is possible to stem the tide of the epidemic and to transform gender relations. The programme is being piloted in India, focusing on mainstreaming gender and human rights issues into the policies of the Indian Railway.

26. *Scaled up and replicable strategies based on UNIFEM-supported pilots and lessons learned* about ending violence and addressing the gender dimensions of HIV/AIDS. The UNIFEM region-wide campaign to end violence against women in the CIS, launched in 2001, replicates the Fund's 1998-1999 campaigns in Latin America and the Caribbean, Africa and Asia and the Pacific. The UNIFEM South Asian initiative to address trafficking of women builds on the experiences of Trust Fund projects and the demand created by the UNIFEM 1999 regional campaign. Training methods developed in the UNIFEM pilot programme on gender-focused interventions to address the challenges of the HIV/AIDS epidemic have been replicated in universities in Thailand, Mexico and the Bahamas.

27. *UNIFEM Trust Fund in Support of Actions to Eliminate Violence against Women* serves as a grant-making laboratory to explore innovative strategies and best practices. Lessons learned from the Trust Fund are fed into national, regional and global programmes that the UNIFEM field network and partners scale up into longer-term, high impact strategies to eliminate violence against women. Since it began operations in 1996, the Trust Fund has awarded $5.3 million to 127 initiatives in over 70 countries. Over the past three years, it has experienced an unprecedented increase in grant applications from 136 in 1999 to over 325 proposals, with requests totaling over $17.5 million in 2001.

The five-year review of the Beijing Platform for Action

28. The five-year review of the Beijing Platform for Action in June 2000 offered a unique opportunity to refocus world attention on the concrete actions needed to achieve gender equality. During the preparatory process, UNIFEM organized training workshops and encouraged young women's involvement. In Western Asia, UNIFEM helped organize the Arab Regional NGO Meeting in February 2000, launching the Arab regional alternative report. In Central and Eastern Europe and the CIS, declarations drafted by workshop participants were incorporated into the regional preparatory document.

29. UNIFEM is also supporting activities to ensure that the momentum generated by the five-year review yields concrete benefits for women's advancement. UNIFEM organized follow-up sessions to enable NGOs to work with Governments on stronger accountability mechanisms in Africa and is carrying out a three-year project to generate social and gender indicators for monitoring the Beijing Platform for Action in Latin America and the Caribbean.

B. Strengthening United Nations system capacity to support gender-mainstreaming

30. As a catalyst and innovator in the United Nations system, UNIFEM has a unique opportunity and responsibility to advocate for United Nations funds, programmes and specialized agencies to strengthen their gender equality

programming. UNIFEM efforts have benefited considerably from the Secretary-General's reform agenda emphasizing increased coordination and collaboration on follow-up to United Nations world conferences.

31. A key achievement for gender advocates in 2001 was the designation of gender equality as a Millennium development goal in its own right and a cross-cutting issue relating to all development goals. This creates unparalleled opportunities to increase attention and accountability for action toward achieving gender equality, as the United Nations system and Governments work together to create indicators and tracking mechanisms for reporting on progress.

32. With regard to the resident coordinator system, inter-agency thematic groups and the common country assessment (CCA) and United Nations Development Assistance Framework (UNDAF) process continued to provide opportunities to mainstream gender into United Nations programmes and policies. UNIFEM chairs inter-agency thematic groups on gender in 11 countries and co-chairs them with other United Nations organizations agencies in 4 countries. UNIFEM provided substantive input into CCA/UNDAF preparation in 29 countries. At headquarters, the Executive Director of UNIFEM leads the Inter-Agency Meeting on Gender Equality task force on gender mainstreaming in the CCA/UNDAF and has initiated a gender assessment of the CCA/UNDAF process, which will feed into training for United Nations country teams. UNIFEM was the first chair of the Gender Working Group of the United Nations Development Group (UNDG) Task Force on Afghanistan, which led the process of appointing a senior gender adviser to the SRSG to work closely with the Office of the Special Advisor on Gender Issues. UNIFEM worked closely with the country team in Islamabad to formulate the gender component of the ITAP for Afghan People 2002 and the Afghanistan Preliminary Needs Assessment for Recovery and Recruitment by the World Bank, UNDP, and Asian Development Bank.

33. The increased number of agreements with United Nations organizations and the strengthening of existing collaborative efforts have enabled UNIFEM to make progress on its mandate to act as a catalyst in the United Nations system. UNIFEM synergy with UNDP is increasing on a number of fronts, thanks in part to new arrangements that allow UNIFEM to execute projects for UNDP. Through UNIFEM execution of 11 UNDP projects and other modalities, the two organizations are now collaborating on participatory budgets in the Andean region, on the first baseline study on gender disparities in Bhutan and a study on the impact of armed conflict on Palestinian women. The largest project that UNIFEM is executing for UNDP is a $790 000 initiative to promote gender equality in Burundi.

Strengthening synergy with UNDP

- UNDP and UNIFEM, through the Asia Pacific Gender Equality Network (APGEN) Programme, have facilitated implementation of CEDAW and promote women's economic and political participation in the region.
- In 2000, UNIFEM, UNDP and the Economic Commission for Latin America and the Caribbean collaborated in supporting the organization of a campaign to end violence against women in the Americas, including the publication of 17 national reports on gender-based violence.
- In 2001, UNIFEM completed execution of a global capacity-building project that brought together UNDP gender focal points and UNIFEM gender advisers to share strategies on gender-mainstreaming and strengthening UNDP/UNIFEM synergies. Participants from Chile, China, Ecuador, Fiji, Kenya, Morocco, Nepal, Trinidad and Tobago, Uzbekistan, and headquarters recommended strengthening cooperation in macroeconomics and national and local budgets, women's access to information and communications technology, ending trafficking of women and engendering legal systems.
- UNIFEM joined the Programme of Assistance to the Palestinian People in Jerusalem to study the impact of armed conflict on Palestinian women. Focused on the impact on service provision as well as on women's status and situation within the Palestinian community, the study will feed into the assessment of women's needs in humanitarian assistance programmes in the area.

34. Strengthened collaboration with UNAIDS resulted in the signing of a memorandum of understanding, the UNIFEM-UNFPA co-chairing of a UNAIDS inter-agency task team on gender and an agreement from UNAIDS

to cover costs for UNIFEM to provide gender expertise in Sierra Leone, India and at UNIFEM headquarters. UNIFEM executes projects for UNFPA in Angola and Indonesia, and backstops gender, population and development specialists in UNFPA country support teams. In Afghanistan, UNIFEM is working with UNHCR at the provincial level to operationalize its programme support for internally displaced and refugee women.

35. In the inter-governmental arena, the Commission on the Status of Women continues to be a key venue in which UNIFEM seeks to connect the normative process with operational realities. In 2001, UNIFEM also brought gender expertise and experience to the Economic and Social Council High-level Segment on Africa, the Second United Nations Conference on Human Settlements (Habitat II), held in Geneva from 16 to 18 July, and the preparatory committees for the International Conference on Financing for Development. With the United Nations Division for the Advancement of Women and the Office of the High Commissioner for Human Rights (OHCHR), UNIFEM convened an expert group on gender and racial discrimination in preparation for the World Conference against Racism, Racial Discrimination, Xenophobia and Related Intolerance in Durban, South Africa, 31 August to 7 September, 2001.

C. Learning organization principles and strategic partnerships

36. UNIFEM uses a diverse range of strategies to document and disseminate the analysis, resources and lessons learned that result from its programmes and projects. Publications, audio-visual resources and electronic media ensure broad access to information by policy-makers, United Nations organizations and women's organizations.

37. In preparation for Beijing +5, UNIFEM launched its biennial report, *Progress of the World's Women 2000*, in June 2000. This report examined women's progress over two decades along several critical indicators, some of which have now been incorporated into the MDGs. Two publications launched during the reporting period highlight some effective strategies of women's organizations to work together with communities and the media to combat violence against women. *With An End in Sight: Strategies from the UNIFEM Trust Fund to Eliminate Violence Against Women* features personal stories and detailed accounts of successful community and institutional efforts to combat gender and sexual violence. *Picturing a Life Free of Violence: Media and Communications Strategies to End Violence Against Women* makes available images from anti-violence campaigns worldwide so that they can be adapted for campaigns in other countries and communities. Women's leadership in conflict resolution is highlighted by *Women's Land and Property Rights in Situations of Conflict and Reconstruction*, an online reader featuring testimonies from Africa, Latin America and the Caribbean, the Balkan States, the Middle East and Asia and the Pacific. *Engendering Peace: Reflections on the Burundi Peace Process* documents the three-year advocacy effort to bring Burundi women to the peace table and influence the peace agreement. Publications are available on the UNIFEM web site at www.unifem.undp.org.

38. UNIFEM is promoting the use of video, CD-ROMs, radio, posters and other media to reach larger constituencies with varying levels of literacy and interest. UNIFEM uses electronic outreach through web sites, e-discussion lists, and electronic databases. The Fund's headquarters web site is linked to sub-regional programmes in the Arab States, Asia and the Pacific, Latin America and the Caribbean, Eastern Africa and Central and Eastern Europe and the CIS.

39. UNIFEM activities to build media capacity and networks focus increasingly on improving women's access to and capacity to utilize fully new ICT. In the Arab States, UNIFEM supported the creation of a network of Arab women journalists, Arab Women Connect (AWC), to monitor the portrayal of Arab women in print, audio-visual and electronic media and to lobby media outlets to adopt more gender-sensitive policies.

40. Significant progress has been achieved in moving from isolated projects to thematic programmes supported by assessment. Regional strategic planning exercises and an internal planning process to achieve greater decentralization are contributing to a more strategic focus for UNIFEM initiatives. UNIFEM launched 11 assessment activities, the results of which will underpin programme development and mid-course modifications.

D. Personnel, financial and programme management

41. In line with the spirit of the triennial comprehensive policy review, UNIFEM has taken a number of steps towards decentralization, alignment and simplification of procedures, thereby moving ahead on implementing Objective 4 of the Strategy and Business Plan 2000-2003: ensuring that UNIFEM personnel, financial and programme management systems efficiently and effectively support the goals and programmes of the organization.

42. Critical to the achievement of Objective 4 is strengthening the partnership with UNDP and other funds and programmes so that UNIFEM benefits from the investments that larger organizations make to ensure more efficient and effective systems and processes. Within this context, UNIFEM focused on three strategies: (a) providing quality support in project delivery and other service needs; (b) simplifying procedures and systems and increasing capacity in operations; and (c) supporting decentralization by piloting project budget management.

43. In 2001, UNIFEM completed an internal assessment that identified operational strengths and obstacles and mapped a path toward greater decentralization. In light of this, the approval of the biennium budget at the second regular session of the Executive Board of UNDP/UNFPA in September 2001 strengthened the capacity of UNIFEM to address long-standing operational blockages. The Fund now has two senior level posts – Deputy Director for Programmes and Chief of Operations – allowing a stronger focus on human resources management, finance and programming.

44. Closer working relationships have been established with UNDP counterparts to ensure constant communications between the two organizations so that UNIFEM can benefit from procedure and systems changes instituted in UNDP. UNIFEM and UNDP are in dialogue to arrive at a standardized agreement for reimbursing UNDP country offices for support services. These mechanisms should result in cost savings and less variations in cost calculations.

45. A longer-term strategy to increase efficiency in operations is the plan to support decentralization. UNIFEM is piloting a decentralized approach to project budget management in selected offices. Barbados, Jordan and Zimbabwe are the first sites to test decentralized systems, with the pilot implemented during the second half of 2002.

E. Expanded resource base

46. The Strategy and Business Plan 2000-2003 sets out a challenge for UNIFEM to become a $40-$50 million fund by 2003. This means achieving three sub-objectives: (a) strengthening and expanding partnerships with bilateral donors around areas of common concern; (b) leveraging funds for gender equality and women's rights through new partnerships with multilateral agencies; and (c) exploring opportunities to develop partnerships with socially responsible private-sector entities. Strategies to achieve these objectives include: (a) strengthening the capacity of UNIFEM staff in the field and headquarters and in its national committees to mobilize resources; (b) continuing to improve reporting and project implementation in order to build donor confidence; and (c) developing cost-effective and compelling communications and media strategies to build name recognition for UNIFEM and considerably expand interest in its work.

47. In 2001, the UNIFEM resource-mobilization strategy focused on laying the groundwork for strategic partnerships with diverse donors around key thematic areas. Contributions to core increased by 10 per cent from $19 million in 2000 to $21 million in 2001, representing the first time that UNIFEM core resources surpassed $20 million. Multi-year pledges to cost sharing and sub-trust funds increased by more than 50 per cent from 2000 to 2001.

Partnerships with bilateral donors

48. A total of 43 donor and programme countries contributed to UNIFEM in 2001; the top ten are the United Kingdom, the Netherlands, Italy, Norway, United States, Japan, Sweden, Canada, Finland and Germany. Bilateral donors represent 92 per cent of the UNIFEM resource base and remain key partners as well as an essential source of funds. As a sign of donor confidence, total contributions to UNIFEM core resources from bilateral donors rose in 2001, with increased contributions from eight Governments. In addition, UNIFEM field representatives continue to build close partnerships directly with bilateral organizations in their regions. The Government of Netherlands is supporting CEDAW programming in the Arab States and Beijing +5 follow-up in South Asia. The Canadian International Development Agency, the Department of International Development of the Government of the United Kingdom and the Netherlands continue to support the UNIFEM national facilitation initiative for the implementation of the Platform for Action and the Advancement of Women in Kenya. The United States is supporting a programme to combat trafficking in women in South Asia and Italy is supporting a programme on women's empowerment and local governance participation in Cuba.

Collaboration with multilateral organizations

49. UNIFEM continues to fulfill its mandate as a catalyst within the United Nations system by building partnerships with other United Nations organizations. Several partnerships resulted in increased resources, either for UNIFEM or for efforts critical to advancing work in the Fund's three thematic areas. In 2001, UNIFEM managed resources from UNDP, UNAIDS, UNICEF and UNFPA. UNIFEM often facilitates partnerships between women's NGOs and United Nations organizations in programme countries that result in increased support for women's groups and pilot projects. Results from these innovative approaches support gender-mainstreaming and the scaling-up of innovative efforts.

Partnerships with foundations and private-sector entities

50. Within the broader United Nations context of exploring partnerships with private-sector entities, UNIFEM has explored new partnerships with international NGOs, private foundations, corporations and individuals. A key focus is to ensure that UNIFEM private-sector partnerships are consistent with the Fund's values and goals. UNIFEM has close working relationships with the United Nations Foundation and the United Nations Foundation for International Partnerships, which in 2001made their largest grant in the women and health category to the UNIFEM Women in Conflict Prevention and Conflict Resolution programme. The Ford Foundation provided major support for a project to improve gender sensitivity in police stations in India and contributed to another programme to build a global network on gender and institutional change. The Noel Foundation supported a project to market Mayan women's crafts in Mexico and Zonta International included three UNIFEM concept papers for consideration in its 2002-2004 cycle.

In 2001, the Conrad N. Hilton Foundation made a $100 000 grant to UNIFEM at the request of the Secretary-General, who generously donated the prize to the Trust Fund in Support for Actions to Eliminate Violence Against Women.

51. UNIFEM field offices are taking the lead in developing ways to work with private sector partners, such as the Dakar office partnership with L'Occitane to provide buyers for women shea butter producers in Burkina Faso and the Amman office partnership with Cisco Systems to support an information technology training facility for women. The Brazil office was invited to address a conference convened by ETHOS, an association of socially responsible businesses and is exploring working with publishers and multinationals to promote women's human rights in the sub-region.

IV. Challenges and opportunities for the second biennium 2002-2003

52. As programming expands in all three thematic areas, it is crucial for UNIFEM to improve systems to share lessons and respond to key challenges across themes. As a relatively small United Nations fund, UNIFEM has limited investment capacity to acquire the technologies and systems needed to support learning, yet to fulfill its mandate as a catalyst for gender mainstreaming and equality, it is essential that UNIFEM staff and partners be engaged in reflection, analysis and dissemination of learning to an ever-widening constituency. Training, time and incentives are needed to ensure that all staff make full use of electronic learning platforms such as intranets and extranets, both as contributors and as users.

53. Opportunities and challenges for mainstreaming gender in the United Nations system have also increased. The provision of gender expertise is a critical part of this effort. The UNIFEM Gender Advisor programme, collaboration with UNFPA on fielding gender population and development specialists, and with UNDP and UNV on fielding gender specialists have increased gender expertise in the field. Evaluations of these programmes during 2001-2002 will inform the development of revised plans, which also take into account the changing environment. UNIFEM is also exploring the provision of "gender-on-demand" services to United Nations country teams, with the support of UNDP.

54. UNIFEM has made great strides over the past two years in moving from projects to programmes. In line with the Strategy and Business Plan 2000-2003, new tracking, monitoring and evaluation mechanisms are needed, with greater focus on assessing progress toward results rather than completion of activities. The full operation and staffing of the Innovation and Learning Unit has been given high priority in 2002, in order to build tools and capacities that serve the whole organization, while focusing on support to field staff to lead the learning process.

55. It is critical that UNIFEM benefit from the UNDP comprehensive exercise to simplify and streamline processes in human resources, financial management and information technology. UNIFEM will continue its ongoing dialogue with UNDP so that more personnel responsibility can be devolved to UNIFEM in line with the UNDP decentralization exercise. This includes ensuring that the operational needs and business processes of the Fund are taken into account in the new enterprise resource planning system. The UNIFEM decentralization of project budget management needs to be piloted and evaluated in selected field offices in order to support programme activities in the field more effectively.

56. While UNIFEM continues to explore partnerships with non-traditional donors, especially corporations, greater investment in staff capacity and concrete guidelines are needed to ensure that these are consistent with UNIFEM values and priorities. Increased capacity and more intensive media outreach are needed to develop more partnerships that generate financial support from private foundations and individuals. UNIFEM is building the capacity of staff and national committees to become more active and successful in mobilizing resources from a broader range of supporters.

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Report of the Inter-Agency Procurement Services Office for the biennium 2000-2001*

Summary

The present biennial report is submitted by the Administrator for the information of the Executive Board, pursuant to Executive Board decision 96/2. It provides an update on the activities of the Inter-Agency Procurement Services Office (IAPSO) of the Bureau of Management from June 2000 to June 2002. The IAPSO procurement handling volume of $185 million in 2000-2001 represents a growth of 34 per cent over the previous biennium. Financial performance during the restructuring year of 2001 was robust. Headcount fell by 23 per cent, fixed-term staff costs were reduced with 15 per cent and strategic cash reserves increased with 20 per cent over the same year. The development of smart e-procurement applications substantially contributed to transaction cost savings and efficiency improvements. Over the biennial period, IAPSO charged on average less than 4 per cent of service fees to its customers over the actual purchase order value.

In line with Executive Board decision 2001/13 on the biennial support budget, IAPSO will no longer have to rely on UNDP budget support in the 2002-2003 biennium to sustain its operations, representing an approximate $1.5 million savings on the UNDP core budget.

Elements of a decision

The Executive Board may wish to:

(a) Take note of the report of the Administrator on the activities of Inter-Agency Procurement Services Office for the biennium 2000-2001 (DP/2002/31) and welcome the entry of IAPSO to self-financing operations;

(b) Encourage IAPSO to develop continuously and promote the use of appropriate e-procurement solutions in the United Nations system;

(c) Recommend within the context of United Nations reforms and common services that IAPSO continue to explore ways in which expanded use of collective pricing agreements can be coordinated with other entities of the United Nations system.

* The collection and analysis of current data required to present the Executive Board with the most up-to-date information has delayed submission of the present document.

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Contents

		Paragraphs	Page
	Introduction	1–3	3
I.	Financial performance	4	3
II.	Inter-agency services	5–14	3
	A. Training and capacity-building	5–9	3
	B. Support to the business community	10-13	4
	C. Developing the United Nations Common Supplier Database	14	5
III.	Procurement services	15-22	5
	A. Procurement volume and oversight	15-16	5
	B. Collective pricing agreements and e-procurement	17–22	5
Annex			
Table 1. IAPSO procurement by major product group (2000-2001)			7
Table 2. IAPSO procurement services by client group (2000-2001)			7

Introduction

1. The Inter-Agency Procurement Services Office (IAPSO) actively promotes harmonization and coordination among the many buying operations of the United Nations. IAPSO serves as the secretariat of the Inter-Agency Procurement Working Group and facilitates its annual meetings. It builds buying leverage of common user items, strives for commonly accepted standard specifications, develops e-procurement solutions, engages in procurement research and offers global training opportunities for public procurement practitioners.

2. Under its mandate, IAPSO provides a wide range of advisory and direct procurement services to Governments, United Nations organizations and other partners in development. These services are now provided on a self-financing basis from fees charged, hence avoiding unfair competition with other organizations and drawing down on voluntary contributions to UNDP for such services. This is in line with Executive Board decision 2001/13 on the biennial support budget.

3. In a separate report, document DP/2002/32, IAPSO will provide the Executive Board with consolidated statistics on the United Nations system procurement for 2001.

I. Financial performance

4. With preparations made in 2000, IAPSO reached a self-financing milestone in 2001. Under new management and in line with corporate change process in UNDP, IAPSO set out to balance its books on the basis of service fee revenue rather than UNDP budget support. It did so against an average fee charge of less than 4 per cent over the procurement handling volume. Total revenue increased by 8 per cent from $3.9 million in 2000 to $4.2 million in 2001. Fixed-term staff costs were reduced by 15 per cent over the same period, with the IAPSO headcount coming down from 69 to 53 employees from 2000 to 2001, a reduction of 23 per cent. Cash reserves increased by 20 per cent over the biennium, now totaling the equivalent of 18 months at current operating costs. Excluding the final installments of UNDP budget support, IAPSO realized a net operating surplus of $100 000 in 2001.

II. Inter-agency services

A. Training and capacity-building

5. IAPSO supports UNDP, the United Nations system and, in the context of national execution, programmes country Governments by providing learning opportunities for United Nations system staff and the staff of Governments.

6. IAPSO has stepped up its training activities considerably in 2001. It doubled the number of course rendered to 11 in 2001 (compared to five the previous year). Of

the 11 training courses, two were new and the content of the standard training courses was updated. In the first half of 2002, IAPSO conducted 17 training courses, whereof two were newly designed.

7. In total, 84 participants in 2000 and 212 participants in 2001 joined IAPSO training courses. The number of participants continues to increase, with 293 people trained in the first half of 2002 alone.

8. The training courses were conducted in: Austria, Bangladesh, Cambodia, Central African Republic, Côte d'Ivoire, Cyprus, Denmark, Ethiopia, Ghana, Guatemala, Italy, Kenya, Lao People's Democratic Republic, Republic of Moldova, Russian Federation, Slovak Republic, Thailand, United Arab Emirates, United States and Zambia.

9. The courses covered topics such as procurement policies and practices of UNDP, procurement of goods, services and works, logistics and warehousing, e-procurement, public procurement and legal implications of procurement.

B. Support to the business community

10. IAPSO provides a range of services to the business community, most of which are available online and at no cost to potential suppliers to the United Nations system. In the biennium 2000-2001, IAPSO published procurement notices on behalf of the following organizations on its homepage: African Development Bank, Electricity Network Rehabilitation Programme in Northern Iraq, IAPSO, International Atomic Energy Agency, International Bank for Reconstruction and Development, International Fund for Agricultural Development, International Labour Organization, Office of the United Nations High Commissioner for Refugees, Stop Tuberculosis Partnership, United Nations Economic Commission for Africa, United Nations Educational, Scientific and Cultural Organization, United Nations Industrial Development Organization, United Nations Interim Administration Mission in Kosovo, United Nations Mission in Bosnia and Herzegovina, United Nations Office for Project Services, United Nations Relief and Works Agency for Palestine Refugees in the Near East, and the country offices.

11. IAPSO has modernized its evergreen publication the General Business Guide (GBG), which contains detailed information concerning each United Nations organization and their annual requirement for procurement of both goods and services. The GBG provides an overview for suppliers of the United Nations system and details on common principles and practices of procurement along with contact addresses of United Nations organizations, country offices and peacekeeping missions. Traditionally, the GBG was published annually and made available for a fee. In 2001, IAPSO made the GBG available online and free of charge, both in downloadable format and in an interactive version allowing online search of the GBG. The GBG is now continuously updated with individual United Nations organizations able to update their information directly online.

12. In 2000-2001, visitors to the IAPSO homepage downloaded: (a) 21 800 copies of the General Business Guide; (b) 14 500 copies of practical tips for doing business with the United Nations; and (c) 42 600 copies of the annual statistical report

containing consolidated statistics on the United Nations system procurement volume of both goods and services.

13. IAPSO continues to conduct business seminars for the business community on how to do business with the United Nations. In the biennium 2000-2001, business seminars were organized in London, New York, Geneva, Copenhagen, The Hague, Birmingham, Bonn, Mexico City and Montevideo.

C. Developing the United Nations Common Supplier Database

14. The United Nations Common Supplier Database, managed and maintained by IAPSO, serves as the single global supplier portal to the 14 supporting United Nations organizations. The database has proved to be a valuable procurement tool since its inception in 1998. It is currently undergoing redevelopment to improve further its value as a supplier registration and sourcing facility. The database is actively supported and used by 14 of the major procuring entities in the United Nations system.

II. Procurement services

A. Procurement volume and oversight

15. The volume of procurement handled by IAPSO has continued to grow from $88 million in 2000 to $97.6 million in 2001. This represents an increase of 34 per cent over the previous biennium. UNDP represented 47 per cent of IAPSO client share in 2000-2001, as opposed to only 6 per cent in the previous biennium, mainly as a result of a large procurement handling volume under the Oil for Food Programme in Northern Iraq. Table 1 provides a breakdown of IAPSO procurement activities by product group; Table 2 provides a breakdown by client group.

16. In 2001, the Chief Procurement Officer of UNDP delegated full procurement authority to IAPSO, subject to the outcome of an external procurement audit. An external independent auditing firm executed an ex ante review of IAPSO internal systems and processes, carried out spot checks and completed a post hoc procurement audit review. No major discrepancies were found and IAPSO benefited from the auditor's recommendations, supporting a process of continuous improvement. Consequently, the workload of the Advisory Committee on Procurement at UNDP headquarters was reduced markedly.

B. Collective pricing agreements and e-procurement

17. As detailed in the report of the Administrator on the activities of IAPSO for the biennium 1996/1997 (DP/1996/7), the Consultative Committee on Administrative Questions has recognized that standardization programmes and centrally negotiated

prices for common-user items would have potential for significant savings for the United Nations system. Based on aggregate annual United Nations purchasing volume, IAPSO has traditionally undertaken open international competitive bidding for the supply of common-user items to the United Nations system.

18. IAPSO has traditionally disseminated information concerning the availability and eligibility of the collective pricing agreements by issuing "catalogues" to eligible customers. These catalogues provided details of the products available and information concerning country-specific indications and delivery modalities.

19. In 2000, UNDP/IAPSO developed the web-based procurement system UNWebBuy at http://www.unwebbuy.org/. The system was first introduced in May 2000 and has since formed the backbone of the e-procurement platform of UNDP/IAPSO. The UNWebBuy system provides comprehensive electronic catalogues and value-added services that ensure that the purchases adhere to business best practices and leverage strategic vendor relationships. Through the user-friendly Web interface, clients gain access to a wide range of commodities from software to motor vehicles. By streamlining purchasing from requisition to fulfillment to payment in a totally visible environment, the UNWebBuy system makes it possible to maintain control of and contain spending with a modern e-commerce solution. The UNWebBuy system combines a powerful web-based architecture with an easy-to-use and configurable user interface. The web-based application architecture ensures low implementation costs combined with rapid deployment. As all of the UNWebBuy solutions are browser-based, the benefits are available without adding expensive infrastructure or making large up-front software investments.

20. All prices featured on UNWebBuy have been obtained in a fair and transparent manner complying with the financial rules and procedures of UNDP. Thanks to the IAPSO open international competitive bidding process, our catalogues are recognized by the United Nations and international financial institutions, such as the World Bank, as a valuable alternative to international shopping.

21. Since the launch of the first version of UNWebBuy in 2000, the traffic on the portal has increased significantly. The average number of unique sessions on a weekly basis has increased from about 300 in August 2000 to 1 050 two years later. Over the same period, the number of active users has increased to more than 4 300 and IAPSO currently receives about 100 new requests for usernames/passwords every week.

22. In May 2002, a new and enhanced version of UNWebBuy was launched. An improved shopping cart and quotation system were introduced that enable eligible clients to receive a comprehensive and firm quotation in a matter of seconds. Quotations can be saved for future reference and all documentation can be produced in Acrobat PDF format. Orders can be placed directly through the web site and, once placed, their progress can be tracked using the new track and trace system. The system integration with freight forwarders and other business partners ensures low transaction cost and efficient processing of client requests. Through the successful implementation of the e-procurement system, the requirements for manual data processing in IAPSO have decreased dramatically.

Annex

Table 1. IAPSO procurement by major product group (2000-2001)
(In millions of United States dollars)

Product group	2000		2001	
	Amount	(Per cent)	Amount	(Per cent)
Motor vehicles and spares	35.7	40.6	54.4	55.8
Electrical generation and distribution equipment	33.6	38.2	24.3	24.9
Information technology equipment	5.9	6.7	5.4	5.6
Pharmaceuticals	0	0	4.3	4.4
Office equipment	3.9	4.3	2.8	2.8
Other	8.9	10.2	6.3	6.6
Total	88.0	100.0	97.6	100.0

Table 2. IAPSO procurement services by client group (2000-2001)
(In millions of United States dollars)

Client group	2000		2001	
	Amount	(Per cent)	Amount	(Per cent)
UNDP	41.3	47.0	46.5	47.7
Non-governmental organizations, donor Governments, bilateral and international development entities	21.0	23.9	17.9	18.3
Programme country Governments	7.3	8.3	16.6	17.0
United Nations organizations	14.4	16.3	12.3	12.6
United Nations and eligible diplomatic staff members	4.0	4.5	4.3	4.4
Total	88	100.0	97.6	100.0

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Annual statistical report 2001*

Procurement of goods and services, international project personnel, UNV volunteers, and fellowships

1. The present report, covering procurement data of the United Nations system, is submitted by the Administrator to the Executive Board pursuant to its decision 96/2. The report may be obtained in the language of submission (English only) from the Executive Board secretariat or downloaded from the web site of the Inter-Agency Procurement Services Office at www.iapso.org/information/publications.asp.

2. The main purpose of the report is to provide details on procurement by country of supply to the United Nations system.

3. Total procurement by the United Nations system under all sources of funding in 2001 was $4.6 billion, of which the share from developing countries was 38 per cent. Under UNDP funding, total procurement in 2001 was $949 million, of which the share from developing countries was 56 per cent.

4. The annual statistical report 2001 features the following new additions:

(a) A section covering major equipment (more than $30 000) and services procured by the United Nations system;

(b) List of top ten product groups/items procured by the United Nations system;

(c) Revised and improved summary sheets of the Member countries of the Development Assistance Committee of the Organisation for Economic Co-operation and Development;

(d) Graphical representation of the top ten contributors to UNDP regular resources and their respective procurement volumes;

(e) Procurement under the direct execution modality.

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* The collection and analysis of current data required to present the Executive Board with the most up-to-date information has delayed submission of the present document.

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Report on the implementation of the revised budget for 2002, revised budget estimates for the biennium 2002-2003, and report on the level of the operational reserve*

Report of the Executive Director

Summary

The present document contains revised budget estimates for the biennium 2002-2003 and is based on the ad hoc submission of revised budget estimates for 2002 (DP/2002/CRP.10) that were already approved by the Executive Board at its annual session 2002. For ease of reference, document DP/2002/CRP.10 is attached as annex 1 to the present document. The present document is also submitted in response to Executive Board decision 2002/13, paragraph 7. It has been reviewed by the Management Coordination Committee and the Advisory Committee on Administrative and Budgetary Questions.

Total income forecast for 2002 remains at the approved level of $44.3 million, with the administrative expenditure also remaining at the estimated $44 million level approved by the Board at its annual session 2002. UNOPS continues to identify ways to increase income and reduce operating costs, with the objective of achieving an income level for 2002 that exceeds operating expenditure. UNOPS also continues to monitor its financial performance closely.

Total income forecast for 2003 is expected to rise to $44.7 million while administrative budget requirements are projected to be $43.9 million. The $0.8 million projected excess of income over expenditure for 2003 will bring the UNOPS operational reserve to $4.1 million at the end of the biennium.

Elements of a decision

The Executive Board may wish to: (a) take note of the report of the Executive Director on revised budget estimates for the biennium 2002-2003 (DP/2002/33); (b) approve the revised budget estimates for the biennium 2002-2003 in the amount of $87.9 million.

* The collection and analysis of current data required to present the Executive Board with the most up-to-date information has delayed submission of the present document.

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Contents

	Paragraphs	Pages
I. Introduction	1-2	4
II. Revised projections of income and estimated expenditures for 2002	3-8	4
III. Revised projections of income and estimated expenditures for 2003	9-17	5
IV. Report on the level of the operational reserve	18	9

Abbreviations

ACABQ	Advisory Committee on Administrative and Budgetary Questions
ALD	Activities of limited duration
ERP	Enterprise Resource Planning
IFAD	International Fund for Agricultural Development
MCC	Management Coordination Committee
OAPR	Office of Audit and Performance Review
ORG	Operational Review Group
SMF	Staff Management Forum
UNICEF	United Nations Children's Fund
UNOPS	United Nations Office for Project Services

I. Introduction

1. The present document contains the revised budget estimates for the biennium 2002-2003. It derives directly from and is prepared based upon the principles described in annex 1. This revision for the biennium 2002-2003 is submitted in accordance with Executive Board decision 94/32 of 10 October 1994. In accordance with decision 99/16, the present document also includes a review of the level of the UNOPS operational reserve.

2. Pursuant to UNOPS financial regulations, the present budget estimates are submitted through and have been reviewed by the Management Coordination Committee. This document has also been reviewed by the Advisory Committee on Administrative and Budgetary Questions.

II. Revised projections of income and estimated expenditures for 2002

Status of progress against approved budget estimates for 2002

3. Annex I describes in detail the response initiated by UNOPS as a result of the financial situation at the end of 2001 and the exceptional situation facing UNOPS in 2002. The present document does not repeat these already approved measures but focuses instead on an update of the latest progress in implementing the approved 2002 budget, as requested by the Executive Board in its decision 2002/13, paragraph 7.

4. In its decision 2002/13, paragraph 6, the Executive Board approved the 2002 budget comprising a project portfolio delivery of $503.2 million with total income set at $44.3 million and administrative expenditure at $44.0 million. At the end of July 2002, project delivery had reached $320.4 million, or 64 per cent of the target for 2002, which is slightly ahead of the level necessary to achieve the $503.2 million approved for 2002. This compares favourably to the $306.9 million project delivery that was achieved at the same time in 2001, for which the year-end final delivery was $504.7 million. The income generated by project delivery, as of the end of July 2002, amounts to $22.5 million, or 64 per cent of the target, which is also slightly ahead of schedule. IFAD 2002 service income is currently projected to generate $6.4 million in fees. Other service income is on target, with the exception of $0.5 million of rental income that was estimated to be generated as a result of subletting space at UNOPS headquarters. That income estimate has been revised downwards to $0.4 million.

5. Total income generated at the end of July 2002 was $26.9 million, which covers administrative expenditure, as indicated in paragraph 6 below. A detailed mid-year review of delivery and income indicates that overall delivery and income continue to be on track for the achievement of the targets approved by the Executive Board. In the meantime, UNOPS continues its intensive efforts to increase project and service delivery income while monitoring its financial performance very closely.

6. While preparing the administrative budget for 2002 (attached as annex 1) for approval by the Executive Board at its annual session and fully cognizant that staff-related costs account for the major portion of that budget, namely 61 per cent, UNOPS implemented a reduction in personnel, charged against the administrative budget. The savings from this reduction are documented in DP/2002/35/Add.1. In line with recommendations of the Board of Auditors and the Executive Board, UNOPS is engaged in systematic and rigourous budget performance exercises both to control administrative expenditures and monitor income on a monthly basis. At the end of July 2002, administrative expenditure amounted to $26.4 million compared to an income of $26.9 million. Analysis of July 2002 data, however, revealed that salary and post-adjustment movements, combined with a weakening of the United States dollar against other currencies, particularly European currencies, had led to an 7.5 per cent annual increase in staff-related costs as compared to pro forma staff costs used by UNOPS as a budget planning tool. This increase is over and above the 3 per cent inflation factor that was used in the original formulation of the 2002 budget.

7. Detailed examination of this situation and the projected balance for the year indicates that savings anticipated in the 2002 budget may end up being reduced by higher staff-related cost increases of some $800 000

as compared to the approved administrative budget. Examination of income and non-personnel budget components, however, appears favourable. The most recent income estimate deriving from the internal budget monitoring system amounts to $44.5 million, which is $200 000 higher than the estimate included in the original budget submission. Budget allotments issued to individual divisions are also $350 000 lower than the approved budget of $44 million.

8. Should the above scenario materialize, UNOPS expenditure for 2002 would be $44.250 million, that is, $250 000 or one half of 1 per cent over the approved 2002 budget. As this is within the 3 per cent tolerance level applied to UNOPS budgets, it has been proposed that the target of $44 million for the 2002 administrative expenditure be maintained at this stage. UNOPS management is taking every opportunity to defer and reduce expenditure and to generate additional income wherever possible for the 2002 balance in order to accommodate this projected additional expenditure. The consequences of this scenario for the level of the operational reserve are described in paragraph 18.

III. Revised projections of income and estimated expenditures for 2003

9. UNOPS continues to examine the best opportunities to secure the long-term sustainability of UNOPS, including the benefit of continuing to relocate staff closer to its clients and to lower-cost duty stations. In this context, a number of options were considered in the course of developing the revised budget estimates for 2003. In his address to the Executive Board at its annual session 2002, the Executive Director outlined his intention to explore further, with interested Governments, opportunities for relocation or further decentralization of UNOPS offices. UNOPS continues to maintain that relocation to lower-cost duty stations generates significant long-term savings. At this stage, nevertheless, investment and operating start-up costs could not be supported from the UNOPS administrative budget and the option of further relocation and/or decentralization is therefore not considered in the present submission.

10. The revised budget estimates for 2003 are based on the same level and scope of UNOPS operations achieved after the significant staff and other resource reductions put in place in 2002. These estimates also reflect continued focus throughout the organization on achieving revised targets for project and service delivery and income and administrative expenditures. The evolving nature of UNOPS business and clientele requires the ongoing review of business parameters, with the emphasis on increasing income with a sustainable strategy to reduce UNOPS operating costs.

11. The budget for 2003 has been elaborated on the basis of the following:

(a) The critical capacity of UNOPS to respond adequately to United Nations clients and their programme countries in conformity with the UNOPS self-financing business model;
(b) The commitment of UNOPS to replenish the operational reserve in the medium term;
(c) The efforts of UNOPS to diversify further its clientele on the basis of a client-management structure;
(d) The commitment of UNOPS to introduce a revised performance management system that would establish a link between performance and compensation, thereby intending to boost performance and increase delivery while remaining within established United Nations system human resources norms;
(e) The continuing review by UNOPS of income received from clients to ensure full cost-recovery, in accordance with its self-financing principle and as requested also by the Executive Board in its decision 2002/13, paragraph 17.

12. For 2003, project delivery has been set at $513.0 million, representing an increase of $9.8 million over the approved 2002 estimates. The 2003 project delivery target is the result of the most rigourous review process achievable at this stage, based on the same fundamental principles that were established to determine the 2002 estimates. The 2003 target is based on a project portfolio derived from a number of sources: (a) existing budgets for 2003 from signed projects already being implemented by UNOPS; (b) estimates of delivery derived from projects in the course of approval; and (c) projects still being negotiated and about to be acquired. The current

approved budget on hand in UNOPS for delivery in 2003 totals $290.1 million. Project acquisition reached $327 million at the end of July 2002. In addition, approximately $190 million of the existing 2002 budget is expected to be rephased into 2003.

13. The income generated by the estimated 2003 project delivery is forecast to be $36.4 million, compared to $35.4 million in 2002, at an overall average income rate of 7.1 per cent.

14. Service income is estimated at $6.9 million compared to $7.8 million in 2002. Fees earned from the services provided to IFAD are the single biggest element of this income and are projected at $6 million for 2003 compared to $6.4 million in 2002. This figure reflects the current level of services requested by IFAD for 2003. Discussions will be initiated shortly on the level of fees for IFAD services for 2003 with a view to adjusting fees to cover increased costs incurred by UNOPS in the provision of those services. Other service income is reduced slightly from $1.1 million for 2002 to $0.9 million for 2003, reflecting the changing level of services required by the clients involved.

15. Other income is estimated at $1.4 million, compared to the existing target of $0.5 million in 2002, which is based on the existing and planned agreements with a number of United Nations organizations for the subletting of office space and the provision of associated services at UNOPS headquarters. Other sundry and occasional income, including interest income, is also included in this $1.4 million total.

16. The level of staff resources that UNOPS has included as the basis for the 2003 budget estimates remains at the significantly reduced level achieved as a result of the 2002 budget reduction exercise. Notwithstanding the significant reduction of staff, administrative expenditure for 2003 is estimated at $43.9 million, only a slight decrease of $0.1 million or less than 1 per cent over the approved estimates for 2002. The three factors determining budgetary requirements in 2003 include: (a) the movement in salaries and post adjustments over 2002; (b) the weakening of the United States dollar against a number of other currencies; and (c) the need to invest in information and communication technology as a consequence of the decision by UNDP to implement a new ERP system effective 1 January 2004.

17. The investment in 2003 for the UNOPS contribution to the UNDP ERP project – or any alternative UNOPS may decide on – amounts to $1 million, distributed through a number of expenditure lines but mainly concentrated in hardware and software investment and support costs, contracts and training. The major areas of expenditure relating to the reimbursement to UNDP for the provision of country office, central support and audit services and the reimbursement of United Nations central services are maintained at the level approved in the 2002 budget.

Table 1. Revised projections of project expenditures and income for the biennium 2002-2003, compared with figures for the biennium of 2000-2001
(*in millions of United States dollars*)

	Actual 2000-2001	Approved 2002-2003 estimates	Approved revised 2002 estimates	Proposed Revised 2003 estimates	Revised Estimates for the biennium 2002-2003
Delivery – projects	975.8	1,135.2	503.2	513.0	1,016.2
- services	388.0	-	-	-	-
Total delivery	1,363.8	1,135.2	503.2	513.0	1016.2
Income					
Income from implementation of project portfolio	74.6	84.0	35.4	36.4	71.8
Income from "services only"	13.6	15.8	7.8	6.9	14.7
Other income	7.4	2.5	1.1	1.4	2.5
Total income	95.6	102.3	44.3	44.7	89.0
Administrative expenditure					
Recurring administrative expenditures	105.0	100.5	44.0	43.9	87.9
Non-recurring administrative expenditures	3.0	-	-	-	-
Total administrative expenditures	108.0	100.5	44.0	43.9	87.9
Movements on the Operational reserve					
Operational reserve brought forward	17.4	12.0	5.0	3.3	5.0
Direct charge to operational reserve (to cover estimated staff separation costs)			-2.0	-	-2.0
Transfer to operational reserve	-	1.8	0.3	0.8	1.1
Transfer from operational reserve	(12.4)	-	-		-
Operational reserve carried forward	5.0	13.8	3.3	4.1	4.1

Table 2. Revised budget estimates for 2002-2003
(in thousands of United States dollars)

	Object of expenditure	Actual Expenditure 2000-2001	Approved estimated Expenditure 2003	Approved revised estimated Expenditure 2002	Proposed revised Estimated expenditure 2003	Revised Estimated expenditure 2002 –2003
A10/H10/H12	Salaries	32,643	18,421	15,331	15,600	30,931
A12/H14-61	Common staff costs	17,147	8,796	8,264	8,425	16,689
B10	Temporary assistance	4,590	2,008	1,305	848	2,153
B12/	Activities of limited duration (ALD)	7,088	4,514	3,093	2,135	5,228
B10	Overtime	287	168	41	50	91
B12	Consultants	4,917	2,732	1,511	1,511	3,022
B14	Training	788	389	26	176	202
B18	Staff travel	4,820	2,167	1,091	1,006	2,097
B16	Contracts	2,212	1,087	584	834	1,418
B16	System development contracts	105	445	-	-	-
B20	Printing and publications	182	64	0	29	38
B22	Rental and maintenance-premises	9.348	4,635	4,623	4,623	9,246
B26	Rental and maintenance of equipment	337	393	179	179	358
B28	Communications	2,271	1,808	1,029	1,029	2,058
B30	Mainframe hardware	41	85	1	-	1
B32	Miscellaneous services	1,551	500	374	374	748
B34	Maintenance of PC hardware	23	132	233	233	466
B40	Office supplies	875	343	201	201	402
B42	Furniture and equipment	479	234	43	43	86
B44	Computer systems equipment	799	822	173	743	916
C10	Hospitality	41	25	4	4	8
	Subtotal	90,544	49,768	38,115	38,043	76,158
B50	Services provided by UNDP country offices and other United Nations organizations	5,706	2,966	2,458	2,458	4,916
B50	Reimbursement to UNDP					
	- Services provided by UNDP/OAPR	1,841	1,000	793	793	1,586
	- UNDP central support services	4,094	1,724	1,398	1,398	2,796
	- United Nations central services	2,844	1,000	1,206	1,206	2,412
	Subtotal	14,485	6,690	5,855	5,855	11,710
	Information system project	3,006	-	-	-	-
			-	-	-	-
	Subtotal	3,006	-	-	-	-
	Grand total	108,035	56,458	43,970	43,898	87,868

IV. Report on the level of the operational reserve

18. At the end of the biennium 2000-2001, the UNOPS operational reserve was reduced to $5 million (annex I). The direct charge to the operational reserve to cover estimated staff separation costs in 2002 has been reduced to $2 million, as compared to the $2.2 million indicated in document DP/2002/CRP.10, to cover costs of separating staff following the budget-reduction exercise. The revised 2002 budget approved by the Executive Board also envisages a surplus of $300 000, which would be added to the reserve by the end of 2002. In light of the circumstances described in paragraph 8 above, this might not materialize, as there is even the possibility of a further reduction estimated to be on the order of $250 000 in the level of the operational reserve. In 2003, the situation is expected to improve, however, with an anticipated contribution to the operational reserve of $0.8 million, bringing the reserve level to a projected total ranging from $3.5 to $4.1 million at the end of the biennium. In the case of the latter projection (4.1 million), the operational reserve balance would be 19 per cent of $21.6 million, calculated using the current operational reserve formula. The two main goals pursued in the development of the revised budgets for 2002 and 2003 have been to stabilize the financial situation of UNOPS and to lay a sound foundation for the continuing sustainability of UNOPS. The gradual replenishment of the operational reserve is an essential component of this process.

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Report on the implementation of the revised budget for 2002, revised budget estimates for the biennium 2002-2003, and report on the level of the operational reserve

STATISTICAL ANNEX
2000-2001

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CONTENTS

		Page
List of abbreviations		3
Table 1:	Project delivery by source of funds, 2000-2001	4
Table 2:	Project delivery by component, 2000-2001	5
Table 3:	Project delivery by region, 2000-2001	6
Table 4:	Project personnel employed, 2000-2001	6
Table 5:	Trainees and fellows by nationality, 2000-2001	7
Table 6:	Value of major contracts for goods, services and works signed by country of contractor, 2000-2001	9

ABBREVIATIONS

DPA	Department of Political Affairs of the United Nations Secretariat
DPKO	Department for Peace-keeping Operations of the United Nations Secretariat
IDNDR	International Decade for Natural Disasters Reduction
IFAD	International Fund for Agricultural Development
ILO	International Labour Organization
MSA	Management services agreement
OCHA	Office for the Coordination of Humanitarian Affairs of the United Nations Secretari
OIP	Office of the Iraq Programme of the United Nations Secretariat
UNCCS	United Nations Common Coding System
UNODCCP	United Nations Office for Drug Control and Crime Prevention
UNDP	United Nations Development Programme
UNHCR	Office of the United Nations High Commissioner for Refugees
UNHCHR	Office of the United Nations High Commissioner for Human Rights
UNFPA	United Nations Population Fund
UNMIK	United Nations Mission in Kosovo
UNOPS	United Nations Office for Project Services
UNRISD	United Nations Research Institute for Social Development
WFP	World Food Programme

Table 1. Project delivery by source of funds 2000 - 2001
(in millions of dollars)

Source of funds	2000	2001
UNDP general resources	178.6	161.2
Percentage of total	37.9	31.9
UNDP trust funds	94.6	108.8
Percentage of total	20.0	21.6
Funds through UNDP (MSAs)		
Development banks	9.4	12.3
Percentage of total	2.0	2.4
Unilateral and bilateral grants		
Government	9.6	7.1
Japan	73.0	80.9
Others	21.7	27.2
Subtotal	104.3	115.2
Percentage of total	22.1	22.8
Total through UNDP	113.7	127.5
Percentage of total	24.1	25.3
United Nations organizations		
UNODCCF	16.3	8.8
DPKO	10.7	16.2
UNHCHR	12.4	14.9
OIP	22.4	34.0
Other United Nations organizations a/	22.4	33.3
Subtotal	84.2	107.2
Percentage of total	17.9	21.2
Total	471.1	504.7
Percentage of total	100	100

a/ Includes: DPA, IDNDR, ILO, OCHA, UNHCR, UNRISD, WFP, IFAD

Table 2. Project delivery by component, 2000-2001
(thousands of dollars)

Source of funds	Personnel		Subcontracts		Training		Equipment		Miscellaneous		Grand Total	
	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001
UNDP funded projects	70,780	60,103	55,229	54,327	6,893	9,359	15,197	9,375	5,513	5,936	153,611	139,100
UNOPS as cooperating/Associated agency												
UNOPS as cooperating agency-UNDP fund	11,988	9,697	5,728	9,435	2,223	1,195	2,595	2,025	344	(218)	22,878	22,134
UNOPS as cooperating agency-Trust fund	1,755	2,751	1,044	2,910	43	258	5	1,027	229	8	3,076	6,954
Total UNOPS as Cooperating agency	13,743	12,448	6,772	12,345	2,267	1,453	2,600	3,052	573	(210)	25,954	29,088
Projects for other UN organizations												
DPKO	2,249	3,477	7,262	4,966	94	9	991	7,545	111	189	10,707	16,186
UNHCHR	10,917	11,899	737	955	216	432	145	1,259	363	371	12,377	14,916
OIP	2,655	5,630	12,685	21,943	0	0	6,900	6,238	164	223	22,404	34,034
Other UN organizations	6,130	8,298	1,469	4,712	446	1,189	15,069	18,577	307	467	23,420	33,243
Total projects for other UN organizations	21,951	29,304	22,152	32,576	757	1,630	23,105	33,619	943	1,250	68,909	98,379
UNODCCP	6,568	3,933	4,763	1,593	129	206	3,355	2,499	1,100	598	15,916	8,829
Trust fund projects												
Montreal Protocol	2,829	2,300	3,462	2,394	340	237	20,841	20,907	614	651	28,086	26,489
Global Environment Facility	6,301	7,702	15,466	20,994	1,196	1,799	3,123	4,929	509	974	26,595	36,398
UNCDF	1,726	1,389	5,083	4,809	32	47	241	320	(172)	262	6,910	6,827
Trust funds for Cambodia	1,958	1,331	3,093	2,711	65	279	24	702	16	75	5,157	5,098
Other trust funds	10,743	12,596	8,132	8,161	903	3,940	4,080	1,008	705	1,302	24,564	27,007
Total trust fund projects	23,557	25,318	35,236	39,069	2,536	6,302	28,310	27,866	1,672	3,264	91,311	101,819
Management Service Agreements												
Japan	48	181	2,622	15,487	(6)	120	70,279	65,114	7	14	72,949	80,916
World Bank Agreements	3,212	3,865	4,524	1,046	257	994	(145)	1,383	125	119	7,972	7,407
Inter-American Develop Bank	538	834	(354)	7	(119)	69	(209)	852	34	46	(111)	1,808
Other MSAs	6,354	7,378	14,688	13,294	605	931	15,732	13,441	(2,811)	2,276	34,567	37,320
Total MSAs	10,152	12,258	21,479	29,834	736	2,114	85,658	80,790	(2,647)	2,455	115,377	127,451
Grand total	146,752	143,364	145,630	169,744	13,317	21,064	158,225	157,201	7,155	13,293	471,079	504,666

Table 3. Project delivery by region, 2000-2001
(millions of dollars)

	2000		2001	
	Number of projects	Delivery	Number of projects	Delivery
Interregional and global	319	65.4	380	55.0
Africa	675	116.3	787	114.8
Arab States	220	44.6	263	60.8
Asia and the Pacific	656	90.3	757	108.0
Europe	234	62.4	266	68.5
Latin America and the Caribbean	516	92.1	582	97.6
Total	2,620	471.1	3,035	504.7

Table 4. Project personnel employed, 2000-2001

Type of contract	2000	2001
International consultants	1 733	1692
Percentage from developing countries	47	46
International experts	722	788
Percentage from developing countries	44	33
National professionals	3 693	3884
Percentage from developing countries	100	100
Total	6 148	6364
Percentage from developing countries	79	77

Table 5. Trainees and fellows by nationality, 2000 - 2001

Country of nationality	2000 Total	Male	Female	2001 Total	Male	Female
Angola	5	4	1	6	4	2
Bangladesh	19	19	0	10	5	5
Benin	195	111	84	7	7	0
Botswana	5	2	3	5	1	4
Burkina Faso	19	11	8	31	23	8
Burundi	3,942	2,564	1,378	19	15	4
Cameroon	12	9	3	10	8	2
Central African Republic	6	4	2	8	7	1
Chad	2	2	0	14	10	4
Cote d'Ivoire	9	7	2	10	9	1
Congo, D. R.	232	150	82	5	4	1
Djibouti	6	1	5	5	5	0
Egypt	2	2	0	12	12	0
Eritrea	7	6	1	22	17	5
Ethiopia	55	49	6	9	5	4
Gabon	4	1	3	4	3	1
Gambia	25	22	3	14	10	4
Ghana	14	7	7	26	18	8
Guinea	6	4	2	25	17	8
Guinea-Bissau	6	6	0	6	5	1
India	9	8	1	1	1	0
Indonesia	8	8	0	1	1	0
Iran (Islamic Republic of)	2	1	1	4	2	2
Jordan	3	1	2	14	13	1
Kenya	12	6	6	12	8	4
Lesotho	11	6	5	7	2	5
Madagascar	1,524	988	536	821	556	265
Malaysia	4	3	1	1	1	0
Malawi	6	3	3	11	7	4
Mali	60	41	19	3	2	1
Mauritania	3	3	0	5	4	1
Mauritius	4	4	0	3	3	0
Mexico	2	1	1	1	1	0
Mongolia	5	4	1	56	44	12

(Table 5 continued)

Country of nationality	2000 Total	Male	Female	2001 Total	Male	Female
Morocco	1	1	0	12	11	1
Mozambique	21	12	9	4	3	1
Namibia	579	341	238	52	30	22
Nepal	3	3	0	1	1	0
Niger	5	4	1	16	11	5
Nigeria	141	98	43	135	79	56
Pakistan	24	22	2	6	6	0
Philippines	14	10	4	3	0	3
Rwanda	5	2	3	4	2	2
Senegal	16	11	5	108	68	40
Sierra Leone	5	3	2	5	2	3
South Africa	578	352	226	1,855	1,139	716
Sri Lanka	5	2	3	8	5	3
Sudan	6	3	3	9	6	3
Togo	5	4	1	18	16	2
Tunisia	1	1	0	9	4	5
Uganda	14	3	11	9	4	5
United Republic of Tanzania	336	285	51	25	17	8
Viet Nam	182	150	32	81	62	19
Yemen	5	4	1	6	6	0
Zambia	10	6	4	6	3	3
Zimbabwe	22	19	3	8	6	2
Other	660	498	172	183	134	49
Total	8,862	5,892	2,970	3,768	2,453	1,315

Table 6. Value of major contracts for goods, services and works signed by country of contractor, 2000-2001
(thousands of dollars)

Country	2000 Value	2000 Percentage of international procurement	2001 Value	2001 Percentage of international procurement
Developed countries				
Australia	1 281	0.9	595	0.3
Austria	1 755	1.2	4 324	2.5
Belgium	3 062	2.1	2 193	1.3
Canada	5 996	4.1	3 833	2.2
Finland	322	0.2	753	0.4
France	3 393	2.3	6 749	3.9
Germany	5 423	3.7	4 911	2.8
Ireland	416	0.3	3	0.0
Italy	7 880	5.4	14 884	8.6
Japan	13 809	9.4	6 759	3.9
New Zealand	84	0.1	26	0.0
Spain	433	0.3	3 953	2.3
Switzerland	3 242	2.2	13 745	7.9
United Kingdom	17 233	11.7	10 819	6.2
United States	35 399	24.1	39 993	23.1
Other	1 024	0.7	2 319	1.3
Subtotal	100 752	68.7	115 862	66.9
Underutilized major donor countries				
Denmark	6 292	4.3	7 345	4.2
Netherlands	7 299	5.0	3 866	2.2
Norway	656	0.4	1 685	1.0
Sweden	345	0.2	1 900	1.1
Subtotal	14 592	9.9	14 796	8.5
Total developed countries	115 344	78.6	130 658	75.4
Developing countries				
Argentina	2 045	1.4	1 728	1.0
Cambodia	-	0.0	529	0.3
Côte d'Ivoire	279	0.2	1 300	0.8
Ethiopia	46	0.0	1 070	0.6
Peru	2 099	1.4	157	0.1
South Africa	4 421	3.0	7 741	4.5
Turkey	-	0.0	59	0.0
Other	22 485	15.3	30 030	17.3
Total developing countries	31 375	21.4	42 614	24.6
TOTAL	146 719	100	173 272	100

Notes: Does not include procurement undertaken locally pertaining to decentralized operations. The procurement of services, goods and work from developing countries is therefore significantly understated in the above table.

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UNOPS: Financial, budgetary and administrative matters

REVISED BUDGET ESTIMATES FOR THE BIENNIUM 2002-2003

Report of the Advisory Committee on Administrative and Budgetary Questions

I. INTRODUCTION

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the Executive Director of the United Nations Office for Project Services on the implementation of the revised budget for 2002, on the revised budget estimates for the biennium 2002-2003 and on the level of the operational reserve (DP/2002/33). The Committee also had before it, as background documentation, a conference room paper on UNOPS revised budget estimates for the year 2002 (DP/2002/CRP.10), a report on the implementation of the recommendations of the Board of Auditors for the biennium 2000-2001 (DP/2002/35), an action plan on savings from projected staff cuts (DP/2002/35/Add.1), an advance copy of the UNOPS contingency plan for 2002-2003 (DP/2002/35/Add.2) and draft terms of reference and timetable for an independent review of UNOPS (DP/2002/36). During its consideration of these matters, the Committee met with the Executive Director of UNOPS and his colleagues, who provided additional information.

2. The Advisory Committee notes that the projection of income and expenditures of UNOPS during the biennium 2002-2003 has taken place under circumstances that have seriously impacted on the working of that Office. The Advisory Committee notes with concern the serious situation facing the management and operation of UNOPS. The Committee was informed that the massive reduction of business from UNDP that started in 1999 continued during the biennium 2000-2001 and the year 2002 (see annex 1 to this report). Income from UNDP decreased from $79.4 million in the biennium 1998-1999 (or some 92 percent of total project income of UNOPS) to $61.5 million in the biennium 2000-2001 (or 82 percent of total project income). However, UNDP remains UNOPS' largest client since the latter's inception in 1994 (see report of the Board of Auditors to the General Assembly on the accounts of UNOPS for the biennium ended 31 December 2001, para. 25 and Annex 2 to this report).

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3. The Advisory Committee was informed that the UNOPS' delivery dropped considerably in 2001 and consequently its income from project delivery. The budget approved for 2001 (Executive Board decision 2001/19) projected a total income of $56.8 million and total administrative expenditures of $55.3 million. Actual income for 2001 amounted however to only $47.2 million or $9.6 million less than the projected income. Administrative expenditures totaled $52.8 million, exceeding total income by $5.6 million. UNOPS covered this shortfall in income through a drawdown on the operational reserve, in accordance with its Financial Regulations, reducing its level to $5 million (DP/2002/CRP.10).

4. The Advisory Committee was also informed that the performance of UNOPS in 2001 was significantly affected, *inter alia*, by the uncertainty about its future status. The review by the Secretary-General on the operations and continuity of UNOPS, requested in March 2001, was completed in January 2002 when the Secretary-General took the decision to maintain UNOPS as a separate and identifiable entity of the United Nations system that is self-financing, as originally intended by Member States. The Committee was provided with the note of the Secretary-General on the matter (DP/2002/CRP.5). The Committee notes that in reaching its decision, the Secretary-General was assisted by the internal review carried out, at his request, by the Office of Internal Oversight Services (OIOS). The Committee recalls that in paragraph 4 of its report DP/2001/29 of 5 September 2001, it indicated that it was incumbent on the Secretary-General to inform Member States expeditiously on the results of the review. The Committee reiterates its request that the Secretary-General make available to Member States the report of OIOS on UNOPS. Furthermore, the Advisory Committee believes that, in supporting the continued work of UNOPS, as a separate and identifiable entity that provides services to organizations of the United Nations system for the management and delivery of programmes and projects, it is incumbent upon the Secretary-General to take steps to ensure the viability and success of UNOPS.

5. The Advisory Committee recalls that it had also expressed its concern that the prolonged deliberations regarding the future status of UNOPS would have negative impact on its operations, resulting in lower levels of acquisition and delivery (DP/2001/29, para. 4). The Committee was informed that during 2001 the uncertainty regarding the existence of UNOPS had led to a decrease in UNOPS' key businesses, including cancellation or delays of approved project budgets funded by UNDP in an amount of $42 million. The Advisory Committee is concerned that, through no fault of UNOPS, it has not been able to recover fully from UNDP the costs of activities carried out in good faith, with a view to performing the tasks specified in the work plans of approved projects which were subsequently delayed, modified, or cancelled. The Committee recalls that, with respect to the termination or postponement of project budgets, it had indicated that this should be managed through consultation of all parties concerned and in such a way as to minimize the financial consequences and their impact on UNOPS (DP/2001/29, para. 3). In this connection, the Committee recommends that the Administrator of UNDP review the issue so as to reimburse UNOPS in an equitable manner for the costs incurred. (See paragraph. 9 below.)

6. The Advisory Committee notes that the Secretary-General decided to maintain the Management Coordination Committee (MCC), chaired by the UNDP Administrator (see DP/2002/CRP. 5, paras. 7 to 15). The Committee has indicated that the relationships of UNOPS with the entities involved in governing, servicing and advising it are complex and that, at times, may hinder the effective communication and reporting systems of UNOPS (DP/1994/57, paras. 3 and 4). In the Committee's opinion, the responsibilities currently assigned to the MCC appear to establish another layer of executive management for UNOPS; as initially endorsed by the Executive Board, the MCC was established to provide overall oversight and guidance to UNOPS, as a self-financing entity. The Committee was informed that actions taken by the MCC in management of UNOPS have resulted, at times, in unnecessary and costly delays. For example, the Committee was informed that, in the last quarter of 2001, it had become clear that expenditure reductions on non-staff related items would not be sufficient to balance the budget. Both the approved budget and the staffing strength of UNOPS were in excess of the income that was being generated. Had the MCC agreed with staff reduction measures in November 2001 rather than in February 2002, the downward adjustment would have been less painful and savings in 2002 could have been larger.

7. With regard to budget for 2002, the Advisory Committee was informed that in June 2002, the Management Coordination Committee (MCC) decided to revise the approved budget of $56.5 million downward to a ceiling of $44 million. The 2002 revised budget is based on business already acquired but excluding new business in the advanced pipeline that would be signed and implemented during the course of the year. The Advisory Committee remains concerned that the Executive Director of UNOPS has not been given the flexibility needed to manage the organization to react to changes in the fluctuations in delivery of the project portfolio and other services. In this connection, the Committee recalls its comments on the role of the MCC made in its report of 7 October 1994 (DP/1994/57, paras. 13 and 14) and reiterates its recommendation made in its report of 18 September 2000 (DP/2000/38, para. 18) on the need to streamline the budget preparation and review process. To this end, the current role of the MCC in setting a budgetary ceiling should be reconsidered with a view to conforming the procedure for the preparation and submission of the UNOPS budget to that followed by the UN Funds and Programmes.

8. The Advisory Committee notes from paragraph 7 of document DP/2002/36 that the scope of the proposed independent review of UNOPS would include a review of the revenue and cost structures of UNOPS, its operating margins on products and services, as well as its business processes and management tools at hand. The Committee notes that the estimated cost of this review amounts to $200,000 and would be completed in 90 days. The Committee welcomes this review, which is in line with its recommendations in paragraphs 2 and 3 of its report DP/2001/29 of 5 September 2001. The Committee stresses that although UNOPS should continue its efforts to be a cost-effective and competitive provider of services to clients within the United Nations system, it should recover in full from its clients the actual costs of executing projects and providing services. The Committee also reiterates its view that UNOPS should continue its efforts to examine the structure of its business with a view to refining the criteria taken into account to evaluate the commitment of clients and UNOPS' own capacity to deliver. To ensure an expeditious completion of the independent review, the Secretary-General should make appropriate arrangements to ensure that its costs are met.

9. The Advisory Committee notes that, in document DP/2002/35/Add.2, an attempt has been made to formulate a contingency plan for UNOPS in response to Executive Board decision 2002/13. The plan includes actions to be taken by the Executive Director in the event that the operational reserve is unable to absorb administrative expenditures incurred against the UNOPS account for the biennium 2002-2003. In the Committee's opinion some of the steps proposed in paragraphs 9 to 14 to increase income and reduce administrative expenditure are already within the purview of management authority of the Executive Director of UNOPS and do not necessarily form part of a contingency plan related to the level operational reserve. Moreover, some of the proposed actions should also be closely examined in the proposed internal review of UNOPS (see paragraph 9 above). These would include, for example, the question of the rights and obligations of UNOPS and its clients pursuant to contractual arrangements for project delivery (see paragraph 5 above).

10. On the question of the future status of UNDP personnel working with UNOPS and respective liabilities of UNDP and UNOPS the Advisory Committee was informed that the prevalence of staff in UNOPS with differences in contractual status hampers UNOPS' ability to be responsive to the self-financing principle. Categories include UNDP permanent staff expected to return to UNDP, UNDP staff with contracts limited to UNOPS, and UNOPS staff. In addition, the personnel arrangements with UNDP of 1994 are no longer valid and UNOPS has agreed with UNDP to revise them in order to fit their current and future anticipated relationship. UNDP and UNOPS have agreed on a cost-sharing formula applicable to UNDP staff that have been serving with UNOPS and need to be separated as a result of abolition of posts. However, UNDP's precarious financial situation has led UNDP to take certain decisions that are not reciprocal to that which is expected from UNOPS.

11. The Advisory Committee has commented in the past on the need to re-examine UNOPS contracts for personnel services in order to have a flexible post management system that would allow UNOPS to expand and contract its capacity in response to changes in demand and project delivery and income. The Committee has also recognized that the demand for UNOPS services is increasingly calling for specialized capacity for the management of multi-disciplinary initiatives and that UNOPS must respond quickly, efficiently and in the most

cost-effective manner (see, for example, DP/2000/38, paras. 14 to 17). The Committee trusts that the internal review of UNOPS will include the re-examination of these personnel issues.

Implementation of the approved budget for 2002

12. In its decision 2002/13, paragraph 6, the Executive Board approved the 2002 administrative budget in the amount of $44 million on the basis of a total income projected at $44.3 million and a project delivery portfolio of $503.2 million. The Committee notes that at the end of July 2002, project delivery had reached $320.4 million, generating income in the amount of $22.5 million. Total income, including service income for loan administration, was $26.9 million and administrative expenditure amounted to $26.4 million at the end of July 2002 (DP/2002/33, paras. 3 to 6).

13. The Advisory Committee was informed that the latest available figures indicate that UNOPS is on track or even slightly ahead on delivery and income; however, staff related costs have increased about 7.5 per cent as compared with the pro-forma costs used in the budget, as a result mainly of currency fluctuations of the dollar *vis-a-vis* the Euro and other currencies. This situation may lead to overspending the approved administrative budget by some $250,000, or one half of one percent of the approved budget, if measures for further cost containment and possible additional income turn out to be insufficient to compensate for this cost escalation in the personnel component of the budget.

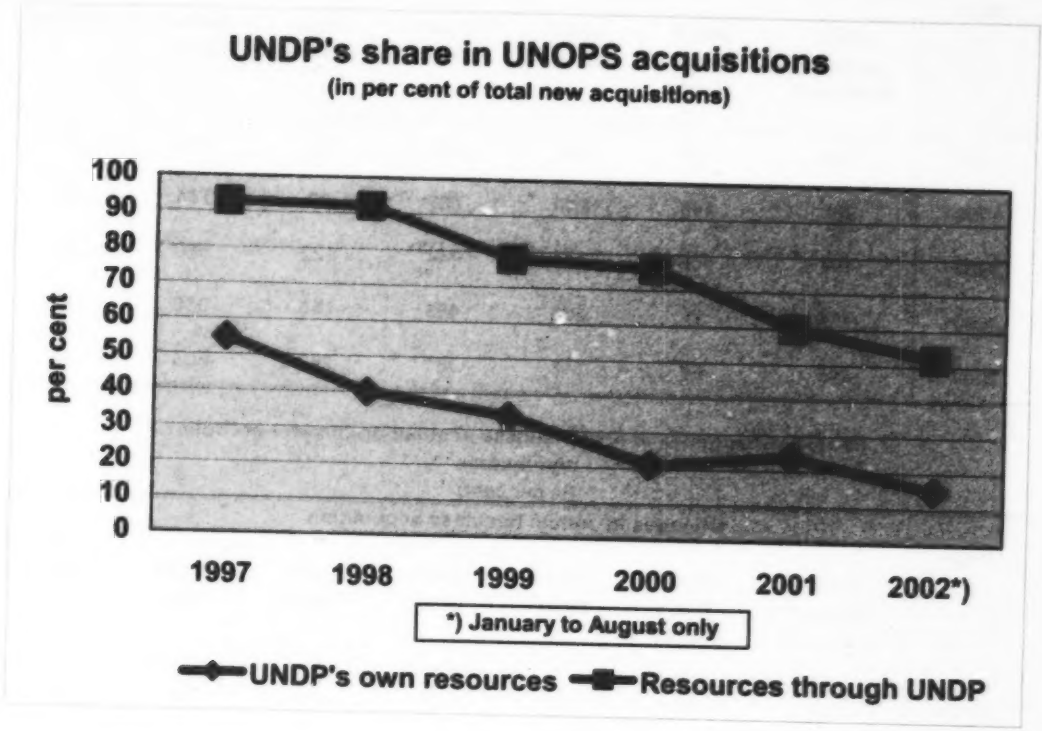
Revised budget estimates for 2003

14. The Advisory Committee was informed that, for 2003, the MCC had initially set a revised target of $41 million, expressed in 2002 dollars (as compared with approved total of $56.5 million.) Given the increases for staff related costs and the need to set aside $1 million for a post-IMIS business information system, the MCC approved a budget ceiling for 2003 at the same level as for 2002 of $44 million. The budget submitted by the Executive Director of UNOPS amounts to $43.9 million and is based on the assumption that the delivery of project portfolio will amount to $513 million, reflecting an increase $9.8 million or 1.9 per cent over the estimate for 2002 of $503.2 million. Total income is projected at $44.7 million, comprising $36.4 million from project delivery, $6.9 million from service income, including services provided to IFAD, and $1.4 million from other income, including income from existing and planned agreements with a number of United Nations organizations for the subletting of office space and the provision of associated services at UNOPS headquarters (DP/2002/33, paras. 12 to 17 and table 1). The Advisory Committee notes from paragraph 16 of document DP/2002/33 that the need to invest in information technology in the amount of $1 million in 2003 is a consequence of the decision by UNDP to implement a new Enterprise Resource Planning (ERP) system, effective 1 January 2004. The Advisory Committee recommends approval of the budget proposal of the Executive Director for 2003.

The level of the operational reserve

15. As indicated in paragraph 3 above, at the end of the biennium 2000-2001, the operational reserve was reduced to $5.0 million. The direct charge to the operational reserve to cover estimated staff separation in 2002 is estimated at $2 million (DP/2002/33, para. 18 and table 1). A total of 44 staff members have been affected by the staff reduction exercise in 2002 (see DP/2002/35/Add.1, para. 8 and table 1). In light of the estimated over-expenditure of $250,000 in 2002 (see paragraph 13 above) and the projected excess of income over expenditure of $800,000 in 2003, the Committee was informed that the operational reserve level would amount to some $3.5 million by the end of 2003. However, in 2003 and 2004 UNOPS medium-term strategy also foresees subletting one fourth of its office space in 2003 and one half from 2004 onwards, allowing the organization to generate additional income, as a result of staff reductions and decentralization measures to move operations to lower cost duty stations.

Annex 1


UNDP's share in UNOPS acquisitions
(in per cent of total new acquisitions)
per cent
100
90
80
70
60
50
40
30
20
10
0
1997
1998
1999
2000
2001
2002*)
*) January to August only
UNDP's own resources
Resources through UNDP

Annex 2

UNOPS: Annual project portfolio acquisition and income
(in millions of dollars)

Year	Project portfolio acquisition						Total income
	UNDP general resources	UNDP Trust Funds	UNDP other*)	Total UNDP	Other clients	Grand total	
1997	391	110	154	655	50	705	41
1998	305	148	249	702	62	764	49
1999	194	106	144	444	122	566	52
2000	136	91	256	483	155	638	49
2001	145	98	118	361	242	603	48

UNOPS: Changes in annual business acquisition (project portfolio) and income
(in per cent)

Year	Changes in annual business acquisition						Total income
	UNDP general resources	UNDP Trust Funds	UNDP other*)	Total UNDP	Other clients	Grand total	
1997	101	7	33	27	194	32	11
1998	-22	35	62	7	24	8	20
1999	-36	-28	-42	-37	97	-26	6
2000	-30	-14	78	9	27	13	-6
2001	7	8	-54	-25	56	-5	-2

*) Since 1997, has included an increasing number of Management Services Agreements negotiated with non-UN funding sources such as International Financial Institutions and governments, where UNDP assumes the function of funds manager and UNOPS is charged with execution.